

BRIEF

# Stages of Development

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## Introduction

Founders with a vision understand that success doesn't happen overnight. After working with thousands of growing companies, we've recognized five distinct Stages of Development a founder and their growing team must go through on their way to building a successful company.

As every leader knows, there's more to organizational success than revenue. Great companies become successful by first understanding who they are, what they are, where they are, where they want to go, and what it's going to take to get from here to there. Defining those key [Focus Filters](#) (the essential components of a good [vision](#)) and mastering the [9 Core Competencies](#) are both instrumental to building and sustaining a great company.

The Stages of Development is one of our foundational frameworks for measuring a company's progress as it grows. Paired with the 9 Core Competencies, the Stages of Development are central to a system that's worked for thousands of successful small and midsize businesses.

It all starts, of course, by identifying your organization's [Stage of Development](#).

## Context

"We're taking it to the next level." We've all heard the phrase in one context or another. From the perspective of a business with its sights set on becoming a great organization, that phrase represents a necessary, gradual ascension from a newly formed startup to a thriving company.

The focus at each stage represents the primary goal, stated or unstated, of the business at that time. This goal drives the organization's activity. While there's no set timeline for each stage, our framework recommends durations based on our experience as coaches and company builders.



In real life, most businesses begin in Stage 1: Survive. As an organization progresses through the next stages — Sustain, Scale, and Succeed — it develops the ability to build out the organization and look further into the future. Eventually, with the right amount of planning and, yes, some luck, the organization enters the stage we call Steward. At this stage, the founder is entirely “hands off” from the organization’s daily, weekly, and monthly activities, fully confident in the abilities of the Senior Leadership Team to effectively run the departments and work toward long-term goals. The founder is now free to focus on the bigger picture.

That leads us to an important observation, one which almost always proves true: Maybe more than any other characteristic, the founder’s level of involvement — or lack thereof — in an organization’s day-to-day activities is the primary indicator of an organization’s stage.

## Stage by Stage

### STAGE 1: SURVIVE

**Founder’s Primary Focus: 1–3 months**

Stage 1 businesses are usually new, and in the startup environment, few things (structure, process, market fit) are established. It’s all about proving product-market fit and keeping the lights on.

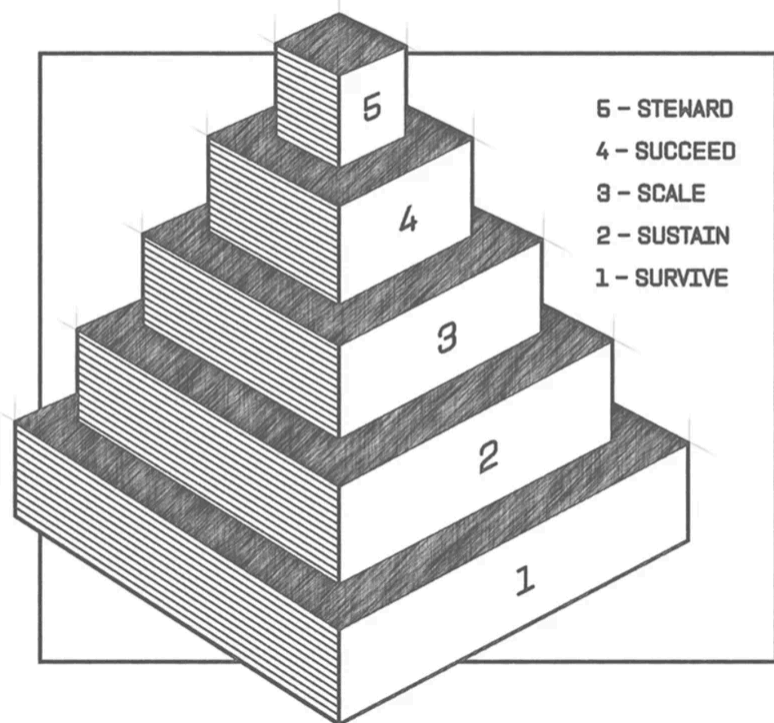
### STAGE 2: SUSTAIN

**Founder’s Primary Focus: 3–12 months**

Having found some success and a place in the market, a Stage 2 business prioritizes what works and reinforces its core features. It seeks to prove, stabilize, and endure.

### STAGE 3: SCALE

#### STAGES OF DEVELOPMENT



**Founder's Primary Focus: 1–2 years**

A Stage 3 business has implemented a more intentional approach to work, and it increasingly adds expertise. The main focus is developing a clear path to long-term viability.

**STAGE 4: SUCCEED****Founder's Primary Focus: 2–5 years**

Organized and mostly expert, a Stage 4 company no longer relies on constant guidance or involvement from its founder. With its position secure, it's able to emphasize growth and sustainability.

**STAGE 5: STEWARD****Founder's Primary Focus: 5–10 years**

A Stage 5 company is excellent comprehensively, from its aligned people to its processes and data integration. A successful structure is in place, and the founder is free to completely focus on where the company needs to be in 5–10 years. Such attributes allow the company to build wisely for the future.

## Early and High-Stage Companies

Early-stage businesses that are living through Survive and Sustain are laser-focused on their most urgent needs. Only later, when they Scale and Succeed, can their focus shift to long-term goals (think one, two, or three years out) or even bigger goals, the kind of bold but informed risks requiring sustained focus from everyone in the company. We call the latter type of goal, which typically has a 10-year timeline, a [Compelling and Audacious Goal](#).

Let's break down a few of the key attributes and activities of companies in these respective stages.

**Early-stage companies:**

- Stages 1 and 2
- Leadership is necessarily involved in daily functions.

- Many people wear multiple hats, and directions/priorities aren't always clear.
- Improvised leaders abound — nearly everyone works in areas that aren't their expertise.
- Functional excellence is basically flawed.

### **High-stage companies:**

- Stages 3, 4, and 5
- Leadership owns the biggest goals. Functional goals belong to departments and teams.
- Individuals are responsible for core capabilities and do appropriate work.
- Expert leaders are in place, and focused functional heads emerge to turn the vision into reality.
- Organizational strength is solid, with highly focused Core Functions (like Marketing, Sales, and Customer Success).

There is, of course, another key attribute when comparing early- and high-stage companies — financial standing. In the Survive or Sustain stages, a business is working to establish its product and place in the market, and its expenses, revenue, and value proposition remain unsettled. As such, it rarely represents a reasonable investment.

Once the business has reached Scale, Succeed, and, eventually, Steward, there's consistent growth and market leadership. It can raise debt or equity, be sold, or go public. It represents a sound, risk-adjusted return on capital for investors. This is when the business has truly "made it" and is no longer trying to find its footing as it did in earlier stages.

## **Hitting the Ceiling**

Taking a business to the next level is certainly rewarding. But along the way, there will be pressure to increase performance and add more people. This can put stress on an organization, causing it to "hit the ceiling," an inflection point that can evoke feelings of

being stuck, frustrated, or anxious. This happens at the departmental and individual levels in one way or another. And it happens to every company sooner or later.

This is where the Stages of Development framework is a valuable guide for honest assessment. Identifying and measuring the organization's developmental progress — and focusing on what's needed to reach the next stage — helps to clear those hurdles and break through that ceiling. All that lies ahead is the real momentum that can propel a business toward becoming a great company.

**Businesses either grow or die when they hit the ceiling. We've been there, so we understand that organizational development has its hurdles.**

Master these skills to minimize the pain of hitting the ceiling:

1. **Envision** your organization's future to determine the Focus Filters you'll need to make the best decisions you can to turn your vision into reality.
2. **Structure** your organization's Core Functions to serve future growth.
3. **Delegate** roles, accountabilities, and responsibilities others are better at or enjoy more so you can take on work you love doing, are great at, or has the most significant long-term impact.
4. **Systematize** your Core Processes to define how you conduct business.
5. **Simplify** the ways the organization thinks, communicates, and operates.
6. **Coach** team members so they improve in their current Seat and are on a path for the career progression they desire.
7. **Be a storyteller** to inspire your team members to be heroes on their own journeys and in the organization's journey to achieve its vision.

8. **Set and achieve goals** with specific short-term accuracy and long-term aims to create the biggest impact.

9. **Execute** consistently and predictably to [get smart stuff done \(GSSD\)](#) throughout the organization.

## Hopefully Helpful Hints

**Simplify scaling by building with structure first.** High-stage companies increase accountability, reduce complexity, and create an organizational structure that ensures a thoughtful cross-company hierarchy of competencies.

**Complete the Stages of Development Assessment.** Knowing the current stage a business is in provides a great developmental starting point and a useful reference for further discussion. Take the assessment included in the [On Stages of Development Guide](#) as a first step.

## Takeaway

Most small and midsize organizations move through five developmental stages on their journey from new business to established, thriving company. Once a business has endured the Survive stage, it's able to gradually refine its focus. Day-to-day operations are eventually handed to individuals and then to teams for execution while leaders focus on longer-term goals.

Want to learn more? Dive into our [On Stages of Development Guide](#) for additional resources to measure your organization's progress.

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