

**HOW TO NAVIGATE
THE 4 STAGES OF GROWTH**
ALL SUCCESSFUL BUSINESSES
GO THROUGH



Written by

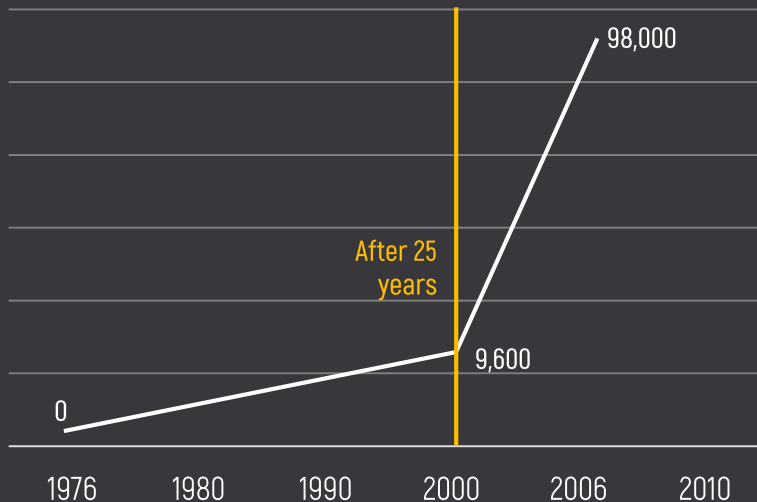
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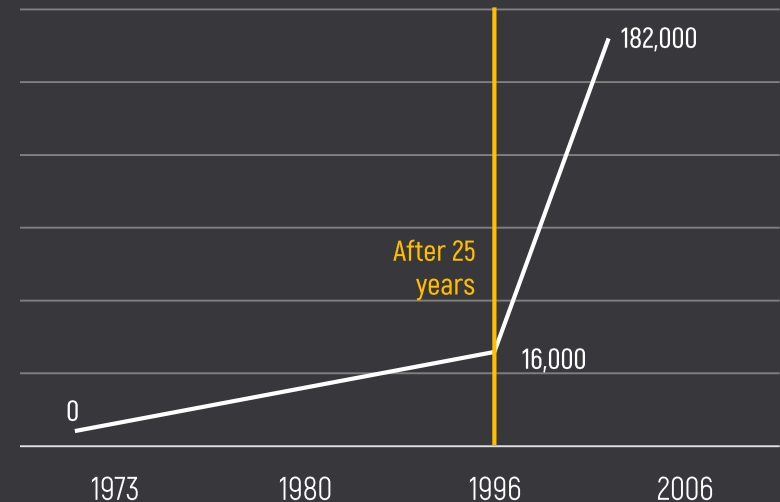


WHAT'S THE DIFFERENCE BETWEEN GROWING AND SCALING?

It took 24 years for Apple to go from 0 to 9,600 employees, but only 6 more years to get to 98,000. For Starbucks, it was 25 years to go from 0 to 16,000, but only 10 more years to get to 182,000. Before achieving industry domination, these two companies (and 99% of all other companies in the world that have effectively scaled) went through a few distinct stages.



APPLE EMPLOYEES



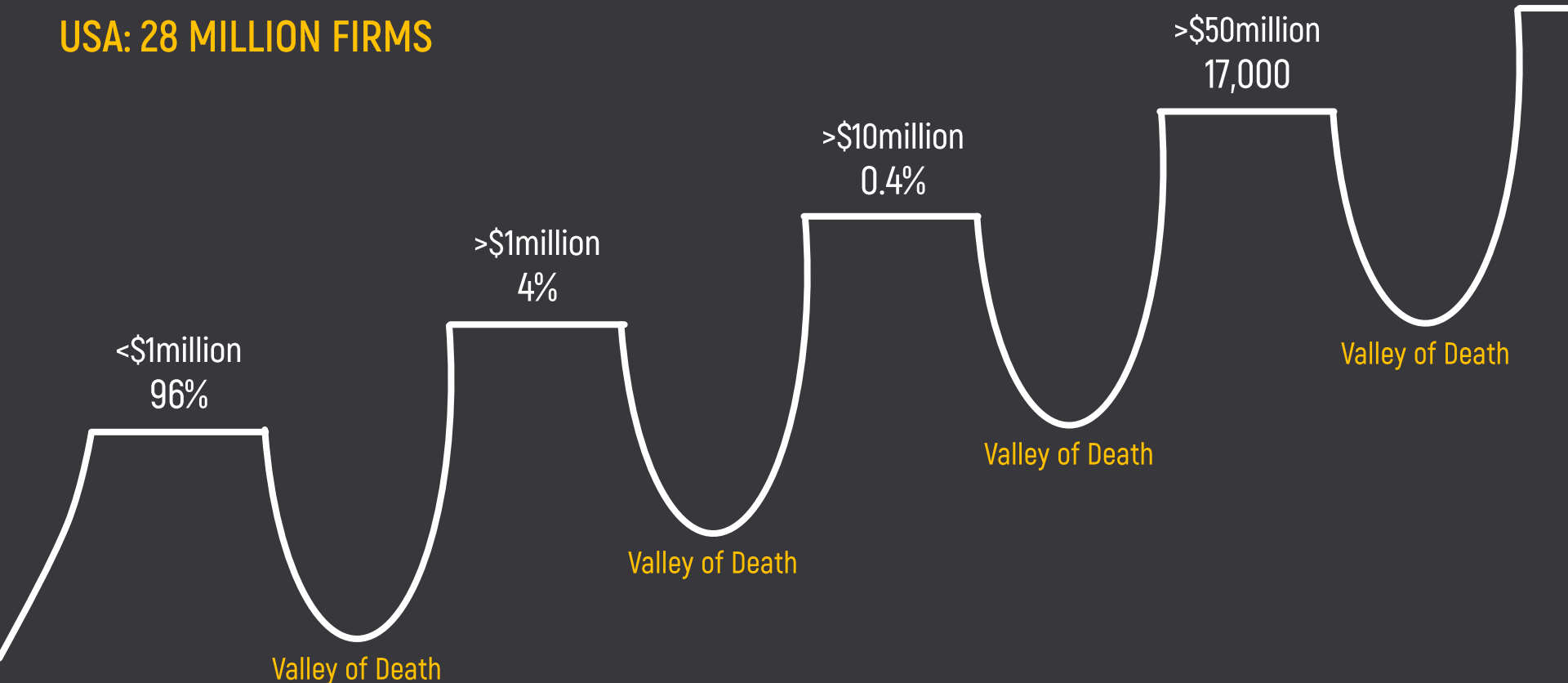
STARBUCKS EMPLOYEES



Usually, when you grow, your revenue and your expenses grow together, leaving you very little room to breathe and enjoy the success. Scaling is different. Scaling is when you are growing at 2x the industry average but your expenses year over year remain stable. For example, if revenue is growing about 50% year over year but your expenses are only increasing 20% year over year, you are scaling.

Not all companies scale though. In fact, the large majority don't even move past the first stage. If you're currently going through the first stage, be aware of the "valley of death" that destroys 96% of all companies in the US. If you've made it past the first stage, then keep this in mind: repeating what brought you here, won't get you to the next stage!

USA: 28 MILLION FIRMS





WHAT ARE **THE 4 STAGES** THAT COMPANIES GO THROUGH WHEN THEY SCALE?

There are 4 stages that all companies go through as they scale. Just like human beings - who need different foods, different care, different goals - companies go through growth stages.

A simple guide to quickly identify which stage the company is in, is the number of employees.

STAGE I

Start Up

Usually 1-5 employees. You, the leader, are everything. You are the center of the company and your focus is product development.

STAGE II

Grow Up

usually 6-15 employees. You are now a more focused leader. The company depends on the execution of other people, and your focus is bringing in sales.

STAGE III

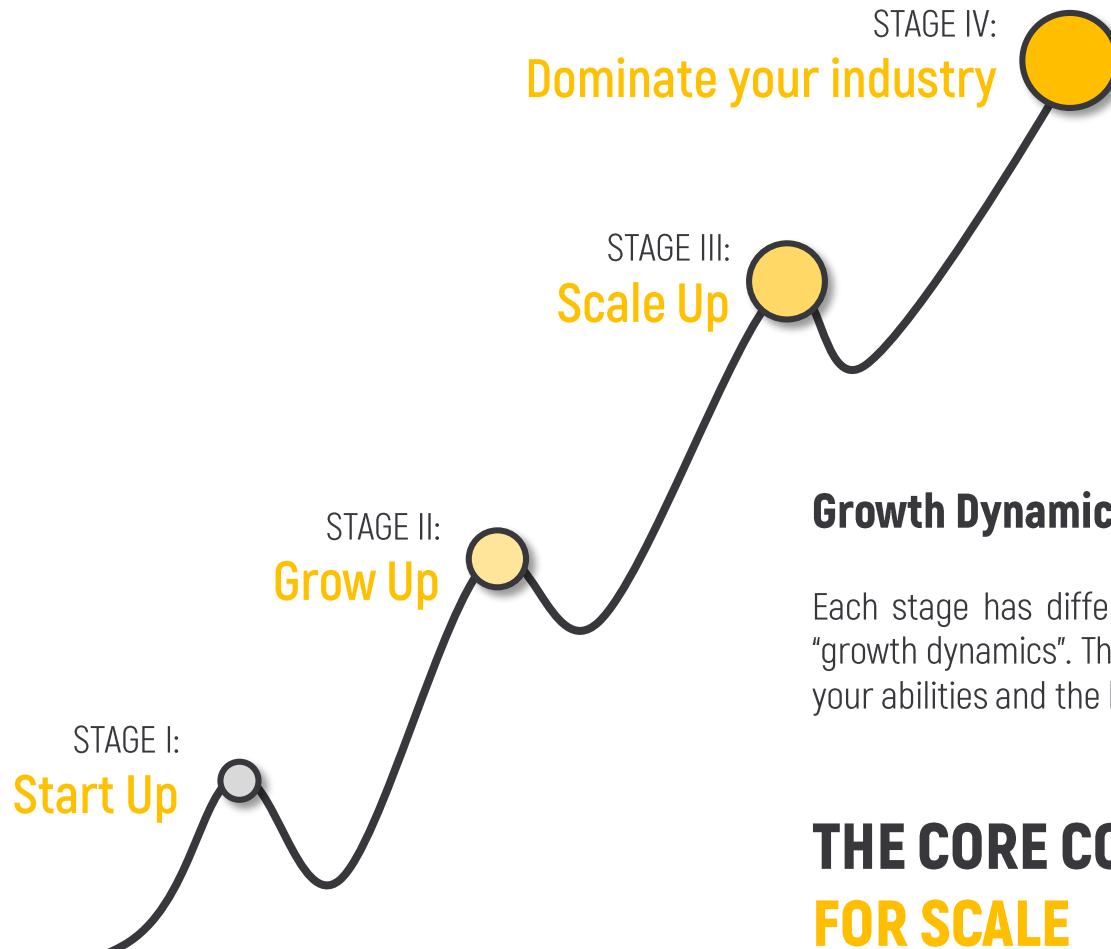
Scale Up

Usually between 15-250 employees. You are a leader of leaders. Your company has validated its product and you're aligning and simplifying processes, focusing on a select number of products, and trying to 10x, 100x, or 1000x them.

STAGE IV

Dominate Your Industry

Usually over 250 employees. You start fighting a battle to win the market. This is when the industry recognizes you, and you control a significant percentage of the market.



Each stage has different characteristics that we like to call “growth dynamics”. These consist of your focus, your priorities, your abilities and the barriers you need to navigate.

Depending on which stage you find yourself at, you’ll need to acquire and practice certain core competencies to thrive and succeed. In this guide, we list each competency you need to focus on at each stage of growth.



STAGE I

START UP

[or new product departments]

In stage 1, you are a jack of all trades. Your main focus is product development and you need to understand market dynamics and what niche your product belongs to.

At this stage, you usually realize that your dreams are different from what your customers need! Your marketing is a two way conversation that will help you understand your customers and reshape your product according to their needs.

During this stage, you'll start consolidating exactly what you sell, who your customers are and how much you should charge.

- 1 to 5 employees

FOCUS:

- Product development

PRIORITY:

- Validate business model

BARRIER:

- Market dynamics

ABILITY:

- Marketing

Core Competencies Needed To Scale



STRATEGY

You'll need to craft a strategy as you go. Be clear about your destination, but flexible about your path.



MARKETING

You need to have a constant conversation with your customers to learn, adapt and better serve them.



STAGE II

GROW UP

Only 4% of companies in the US get here. Previously, the team chose you - now you start being able to choose your team. At this stage you can't do everything yourself, you need to be a leader and understand how to delegate and empower your employees.

Your company starts requiring guidelines, so this is the right moment to start building systems and procedures that are still very manual.

You've created an animal, and now you need to feed it! You have contracts, employees, all sorts of fixed expenses and without cashflow, you won't last long. At Stage II, your focus is 100% on sales, and your priority is hiring a great team.

- 6 to 15 employees

FOCUS:

- 100% Sales

PRIORITY:

- Hire the right team

BARRIER:

- Leadership

ABILITY:

- Delegate, predict, repeat

Core Competencies Needed To Scale



LEADERSHIP

You can't do everything yourself, and you'll need to know how lead.



SALES

Your focus is to secure the cashflow that keeps the company afloat.



STAGE III

SCALE UP

This is where the fun starts, but only 0.4% of all companies get here! The previous stages require a lot of heavy lifting from the leader and the team, and this is when the market starts to take notice. It's all about scale!

This is the stage where you can consider raising money. Understand which of your products are scalable, and 10x them. When you had less than 20 employees people generally didn't see you as a threat, but now your focus is defining your place in the industry.

Your priority is aligning everyone, and to simplify everything. It's all about executing the model you proved during stage 2 using the correct systems and processes.

- 16 to 250 employees

FOCUS:

- Define industry

PRIORITY:

- Scale

BARRIER:

- Infrastructure

ABILITY:

- Align and simplify

Core Competencies Needed To Scale



EXECUTION

You'll be driving scale by ensuring great systems and processes are in place.



CULTURE

Having a culture by design takes the responsibility away from the leaders, generating bottom-up growth.



STAGE IV

INDUSTRY DOMINATION

This when we first talk about the percentage of an industry you control. You're now competing against incumbents and other significant players gaining traction and your question is: how can I win market share?

By now, you have proven that your product serves a market need, and you tend to get into a comfort zone. Avoid this; the priority is to reinvent yourself and be the catalyst for change. Markets constantly evolve and increase in complexity, so you need to continue to elevate your company and team to the next level.

What helped you succeed in the first three stages won't help you now. In the beginning, it was a matter of what tools you had (knowledge, network, assets). Now it's critical thinking, your decision-making and the sum of all previous core competencies that will help you dominate your industry.

- Over 200 employees

FOCUS:

- Dominating the industry

PRIORITY:

- Constantly reinventing

BARRIER:

- Comfort zone

ABILITY:

- Adaptability (Change catalyst)

Core Competencies Needed To Scale

You are now an orchestra conductor. The complexity of the business is extremely high, and you are not executing, you are steering the business using the sum of all 6 core competencies:



STRATEGY



MARKETING



LEADERSHIP



SALES



EXECUTION







CULTURE



THE 4 STAGES CHEAT SHEET

FROM ENTREPRENEUR TO CEO

	STAGE I Start Up	STAGE II Grow Up	STAGE III Scale Up	STAGE IV Dominate The Industry
				
	1 to 5 employees	6 to 15 employees	16 to 250 employees	Over 250 employees
Focus:	Product development	100% Sales	Industry definition	Dominating industry
Priority:	Validate business model	Hiring right personnel	Scale	Constantly reinventing
Barrier:	Market Dynamics	Leadership	Infrastructure	Comfort zone
Ability:	Marketing	Delegate, predict, repetitiveness	Align and simplify	Adaptability (change catalyst)
Core Competencies:	Strategy Marketing	Leadership Sales	Execution Culture	The 6 core competencies



HOW CAN I IGNITE MY GROWTH PATH?

The first step is understanding where you are right now. Having the self-awareness to identify your priorities, abilities, and barriers is important

The second step is to acquire the 6 core competencies that make you a scalable leader. These competencies can take several years to build proficiency in, and oftentimes you won't need to execute them yourself, but rather lead those who do.

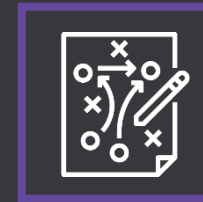
Regardless of whether you'll be using these competencies or leading other experts, you'll need to get very familiar with all 6:



LEADERSHIP



CULTURE



STRATEGY



EXECUTION



MARKETING



SALES

SHARE THIS GUIDE WITH YOUR TEAM AND ASK YOURSELF THE FOLLOWING:

What stage is the business at?

Is the business focusing on the right growth dynamics?

Does the team have the competencies needed to take the business to the next level?



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Daniel co-founded the Growth Institute with Verne Harnish to provide world class online executive education for C-level executives at fast growing firms. He also co-founded Inflection (Gazelles Mexico) a management coaching company that helps business executives and entrepreneurs grow their companies faster and with less “drama”. He is an international speaker and has shared the stage with thought leaders like Peter Diamandis,

Guy Kawasaki and Jack Canfield, just to name a few. He is a graduate of EO’s premiere CEO program at MIT, the “Birthing of Giants”, and its continuation, “Gathering of The Titans”. He holds a BS in Industrial and Systems Engineering from ITESM (Monterrey Tech) and an MBA (cum laude) from Babson College at Wellesley, Massachusetts.

