

Your Guide To The 5 Stages of Business Growth

5 min read



Key Takeaways

- **#1 Existence:** In this initial phase, it's easy to fail because there are so many reasons why brand-new businesses do not survive past the startup phase.
- **#2 Signs Your Company Needs a Controller:** Your business is tested by determining, first, whether you are able to break even and, second, whether you are able to generate profits sufficient for reinvesting and growing the business.
- **#3 Survival:** The challenge of a business owner with a successful company is deciding what they want to do with their success. Business owners basically have two options...

At a glance, one might think that – due to their different products, services, people, ideas, and industries – all small businesses are too different to arrange into any particular categories.

However, this quick assessment couldn't be further from the truth because the truth is that all businesses go through stages of development as they progress from startup to maturity,

according to Neil C. Churchill and Virginia L. Lewis who developed the concept of business growth stages ^[1].

In this sense, businesses can be compared to people who are all unique in their own ways, but who all go through the same growth stages as they mature from infancy to adulthood.

While you might not be able to categorize their unique attributes, you can categorize businesses by their stage of growth. **In doing so, you can also determine the challenges that the business is most likely to face and the business growth strategies that offer the greatest likelihood of success, according to your business growth stage.**

As a result, knowing your business's growth stage can help you execute all of your company's strategic processes – from expanding into new markets and exploring new products or services to perfectly timing new hires and training your existing employees at the right time to level up in order to avoid costly employee turnover.

To determine your small business's current growth stage and to better recognize how to prepare your business for the future and the next stage of development, take a look at the following five stages of business growth ^[2].

The 5 Stages of Business Growth



1. Existence



In the first stage of business growth, a company is a true startup in every sense of the word. In this stage, the owner basically is the company. All businesses in the existence stage face a few common challenges which include:

- Determining whether or not their product or service will be accepted and/or desired by enough customers to remain viable
- Finding out whether or not the company will actually be able to create sound enough processes to deliver their products or services to an acceptable standard
- Determining whether the company will be scalable and able to meet the customer demand as it increases

In this stage, the business owner is responsible for just about everything, even if they are able to hire a few employees to assist with these early processes.

Read More: [Leveraging a Growth Mindset for Business Growth](#)

The goal during the existence stage is simply to survive because many do not. In this initial phase, it's easy to fail because there are so many reasons why brand-new businesses do not survive past the startup phase. The business might never gain enough traction with customers, the business could run out of operating capital, or the owner might simply wear out under the immense demands on finances, time, and energy in addition to the pressure of attempting to run a startup.

2. Survival



Businesses that survive the existence stage, move into phase two, survival. During the survival stage, a business has already demonstrated that its products or services are viable, that customers want them, and that customers return. However, the company has not yet demonstrated the ability to balance revenue with expenses in a successful manner.

During the survival stage, your business is tested by determining, first, whether you are able to break even and, second, whether you are able to generate profits sufficient for reinvesting and growing the business.

"In the Survival Stage, the enterprise may grow in size and profitability and move on to Stage III. Or it may, as many companies do, remain at the Survival Stage for some time, earning marginal returns on invested time and capital, and eventually go out of business when the owner gives up or retires."

- Neil C. Churchill ^[3]

3. Success



When a company survives the survival stage, it moves into the third stage, success. The challenge of a business owner with a successful company is deciding what they want to do with their success. Business owners basically have two options:

1. Use the business as a platform for growth and continue reinvesting, expanding, and even using the business's success and assets to finance and fund additional growth.
2. Maintain the status quo, keep the company operational, and use the profits to fund other pursuits or interests.

4. Take-Off



As the business grows, getting bigger and bigger, each step up in revenue and profits also results in more rapidly expanding expenses. The challenges of the take-off or rapid growth stage primarily focus on managing rapidly increasing expenses, improving operations for

greater efficiency, and identifying strategies for better management of personnel, task delegation, free cash flow, assets, resources, liabilities, and debt.

Rising to these challenges will ensure your business is able to support its rapid expansion and not grow too fast.

💡 **Pro Tip:** Cash is king in this stage. Will there be enough cash to meet the demands your new growth brings? As a business owner, you should always be looking at a cash flow forecast that predicts what the next year, quarter, month, or even week is probably going to look like. Here's our CEO's Guide To Improving Cash Flow with more tips!

5. Resource Maturity



Although your company might still be considered small, small businesses that arrive at this final stage face the challenge of managing the resources they have and continuing to improve their companies through more strategic management of resources, people, and processes.

During this stage, business owners should focus on streamlining operations through budgeting and strategy while continuing to maintain their original entrepreneurial spirit that will help the owner to continue setting short-term and long-term goals so that the company avoids becoming stagnant.

A Back Office Designed to Grow With Your Business

In order to make data-based, strategic decisions and effectively lead your business to a successful future, it's necessary to have a scalable back office that can save you time and resources while also providing you with the timely financial reports and secure bookkeeping and accounting processes that you need to run your business.

With a smart outsourced accounting solution, you can work with a team of experts to create the exact back office that your business needs according to your current company size, growth stage, and goals.

Outsourced accounting saves your growing business money by avoiding hiring high-cost full-time employees without the need to compromise on quality. As a result, outsourcing gets you access to bookkeeping and accounting professionals with loads of experience in your industry at a fraction of the cost of hiring an in-house team.

With this type of high-powered, automated back office, you can be a successful business leader and step confidently into the next growth stage your business faces.

[1] <https://hbr.org/1983/05/the-five-stages-of-small-business-growth>

[2]

<https://www.forbes.com/sites/maneetahuja/2021/08/02/insights-on-the-five-stages-of-small-business-growth/?sh=27e44035630b>

[3]

<https://site-453261.mozfiles.com/files/453261/Harvard Business Review - The 5 Stages Of Small Business Growth.pdf>