



7 STAGES OF GROWTH

Special Report: Stage 1

Special Report on the 7 Stages of Growth

You have launched your business with passion, high hopes, and a strong belief in your product or service. If things haven't unfolded quite as expected, you're not alone. Welcome to the world of entrepreneurs. Your first step is to develop a business model that gains traction. It's a time of trial-and-error experimentation.

Our goal is to help you “navigate the growth curve”, offer an infusion of encouragement (what you're experiencing is normal), and share practical steps to help you progress toward the next level of success.

This Special Report is based on our proprietary and highly effective 7 Stages of Growth business model, developed through extensive research on over 650 small businesses. That research demonstrates that as companies add more people, the complexity level of the organization increases. This report contains critical information to help you:

- **Predict how growth will impact you**
- **Adapt your leadership style to your current stage**
- **Focus on the right priorities at the right time**

Because each business is unique, not everything in this report will apply directly to your situation. But most of it will. We hope the insights prove helpful.

What You Are Probably Experiencing

As a Stage 1 business in the startup phase, here are some realities for you in this early stage of growth.

AREA	DESCRIPTION
Employees	You have 1 to 10 employees.
CEO/Founder	You (the CEO/Founder) are the Specialist—perhaps a sales/marketing lead, technical expert, or inventor—driving a unique product or service.
Team	You’ve assembled a team that believes in your vision.
Climate	It’s a roller coaster: excitement at launch, the challenge of finding a niche, discouragement from broken promises or failed opportunities, fatigue from daily demands, and renewed excitement when you find traction.
Business Model	You’re working hard to find one that builds momentum quickly.
Experimentation	Trial and error is your main method of progress.
Chaos	Things are chaotic. Staying focused is tough.
Systems	Hard to establish due to constant change and experimentation.
Cash	It always feels tight.
Focus	Right now, it’s all about survival.

Most businesses begin with a founder who believes they can do something better or different. We commend your courage and dedication.

Now, let’s focus on your success.



Your Primary Goal in Stage 1

In this stage, your main objective is to create a business model that is both profitable and sustainable. It needs to address:

- **Value Proposition**
- **Customers/Channels**
- **Product/Service Features & Benefits**
- **Revenue Model**
- **Marketing and Sales Process**
- **Operations Process**
- **Profitability**
- **Cash Flow**

Once your model is working, you're ready for Stage 2 (Ramp-Up).

Strategic & Leadership Perspective

At this stage, strategy means creating a way to win. Your job in Stage 1 is to focus on what you do best: bring in cash, maintain momentum, and secure growth capital before you need it.

Avoid getting too complex or detailed right now. Progress comes from action. Look ahead and predict the top three issues that could disrupt your momentum and build plans around them.

Many new CEOs find this stage lonely. You're expected to have all the answers. Seek out a few trusted mentors—ideally one who's walked in your shoes and one further along. Their insight will prove invaluable.

Everyone in your business looks to you. You set the tone for your culture, mission, and values. If you want your team to believe in the mission, you need to be consistent.

If you remain in Stage 1 for a while, your role is to continuously improve. Every few months, reassess and rebuild parts of your business. Mistakes are part of that process. Accept them as fuel for progress.



Your Biggest Challenges & Key Actions

As a Stage 1 leader, you'll likely face several of the following challenges. Here are some actions you can take:

CHALLENGE	ACTIVITIES TO MEET THE CHALLENGE
Creating Cash Flow	Track and protect cash. It's more critical than profit. Focus most of your resources on selling the two to three offerings with the best margins.
Increasing Sales	Engage in meaningful conversations with your ideal audience. Refine your messaging so it speaks to their needs. Adjust your offering to match what customers truly want.
Dealing with Chaos	Don't try to stabilize the business prematurely. Embrace the chaos while inspiring your team. Hire first for cultural fit and resilience, then for skills. Build a performance-driven mindset through regular one-on-one meetings.
Getting Product/Service to Market	Identify and document your key processes. Make sure everyone on your team understands them.
Acquiring Capital	Build a compelling business model. Share it clearly and confidently. Your role as CEO is to generate sales and bring in team members who share your vision, get your goals, and are ready to do whatever it takes.

In Stage 1, you need to generate sales and get people on board quickly. Hire for attitude and adaptability. Specialized skills matter but culture fit and action-orientation matter more. Your team must support how work gets done and how quickly it happens. Flexibility is essential.

Maintaining focus is tough when there's so much uncertainty. Without strong outside funding, cash flow issues may force you to chase revenue through distractions. That can pull you off track.

A business without a clear model can easily become destabilized by growth. Even with a great product, weak financial support can delay your progress or make you miss opportunities. Processes will likely remain flexible and informal for now. That's normal.



Tools You Should Be Using

As the CEO/Founder, you'll want to lead with the following tools and mindsets:

LEADERSHIP COMPONENT	DESCRIPTION
Leadership Modality	Dominant — "I know where we're going. Let's do this together."
Roles	Visionary (50%), Specialist (40%), Manager (10%)
Leadership Competencies	Emotional self-awareness, self-confidence, empathy, inspirational leadership, developing others
Builder/Protector Ratio	Aim for 4:1. This means four Builders (risk-takers, opportunists) to one Protector (cautious, risk-aware).

Your influence must be **Dominant** without it, the business stalls. Without your Dominant influence (direct or indirect), the business will not move forward.

You should primarily wear the hat of **Visionary** (50% of your time) and **Specialist** (40% of your time). As the Specialist, it is your expertise that creates and tweaks the new or better product/service and its delivery to the market. With a self-motivated team that is able to get things done, managing is not a time-consuming task (10% of your time).

The **Builder/Protector Ratio** (BPR) is a measurement of "confidence v. caution." It is a critical tool to gauge the business' ability to accept change, respond with confidence to change and successfully navigate the change.

Builders: (1) thrive on risk; (2) are always looking for new opportunities and (3) do not cower to the overwhelming issues that confront them every day. On the other hand, **Protectors:** (1) thrive on caution; and (2) prefer to apply the brakes (and should be encouraged to do so when appropriate) and (3) tend to be risk averse.

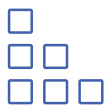
During Stage 1, your optimal Builder/Protector Ratio should be 4:1 – **4 Builders to 1 Protector**. You must not only be a Builder, you must develop a team that for the most part is like-minded in order to persevere through the challenges of a startup. But, a bit of the Protector mindset is helpful to counter the Builders' tendency to be eternal optimists with tunnel vision.



Five Non-Negotiables for Stage 1

These five rules are essential for navigating Stage 1 effectively:

AREA	RULE
Cash	Track and protect cash relentlessly.
Sales Focus	Put 80% of your resources into your most profitable 2–3 offerings.
Hiring	Hire first for culture and grit, then for competence.
Chaos	Don't fight the chaos—lead through it.
Company Mindset	Build a culture of performance, feedback, and growth via regular conversations.



Foundational Building Blocks

Each stage has foundational elements. Here's what Stage 1 businesses should be creating:

FUNCTION	BUILDING BLOCK
Business Model	Keep refining your simple model. Know your value proposition, customer/channel, offering, revenue model, and your approach to marketing, operations, and cash flow.
Sales	Test and refine your unique value proposition. Develop a repeatable sales system your team can use.
Financial System	Have a basic model to understand profit drivers. Forecast cash flow. Track spending. Use simple accounting tools to make informed decisions.
Processes	Identify and document key workflows. Train your team so they understand how things get done.

If you don't establish these now, you'll face growing pains later. Build them early and you'll save yourself time and stress.

Getting Ready for Stage 2

Stage 2 begins when you reach 11 employees. At that point, you'll enter a **Flood Zone**, a period of rapid increase in activity. Clients, projects, and people will multiply.

Your team will feel it. That's natural. Talk about it. Create space for your team to share their concerns and solutions. Your ability to lead through this transition is key to successfully reaching Stage 2.

About 7 Stages of Growth

7 Stages of Growth is a framework designed to give business leaders clarity, direction, and confidence. Backed by research from over 650 companies, it reveals what matters most at each stage of growth—so you can see what's coming, tackle what's urgent, and build a team ready for what's next.

Whether you're just getting started or facing new complexity as you grow, our tools, programs, and support are tailored to the unique challenges of your current stage.

Our **7 Stages of Growth X-Ray™** helps leadership teams uncover root issues, align around a clear direction, and create action plans that drive real results.

