

Growing Pains Are Not Random:

What Four Decades of Research Says About Why Businesses Get Stuck

The pattern is predictable. The misdiagnosis is nearly universal.

In business, opinion is cheap and experience matters, but research is what separates pattern recognition from genuine insight. What follows draws on organizational science, anthropology, and four decades of peer-reviewed evidence to explain something most growing businesses experience but almost none correctly diagnose.

A founder I worked with ran a company with \$2 million in revenue and 10 employees. He could articulate every problem in his business with precision. What he couldn't see, at least not at first, was that he was at the center of all of them. Every decision still ran through him. Every client relationship was his. Every process lived in his head. He knew he needed to let go but knowing it and doing it are two entirely different things.

The work we did together was as much about his identity as a founder as it was about organizational design, because at that stage of growth, they are the same problem.

His situation is not unusual. It is, in fact, predictable.

SECTION 01

Growth Creates Complexity and Complexity Breaks Things

In one of the most widely cited pieces of research on small business development ever published in the Harvard Business Review, Churchill and Lewis (1983) documented five predictable stages of growth and found that the factors driving success at one stage actively become constraints at the next.

The Five Stages of Growth

1. **Existence** - getting customers and delivering the product or service
2. **Survival** - proving the business can be a viable economic entity
3. **Success** - the business is stable and profitable; owner decides whether to grow or maintain
4. **Take-off** - managing rapid growth and delegating effectively
5. **Resource Maturity** - the company has arrived but must retain entrepreneurial spirit

This pattern has held for four decades. It is not a phase, but a predictable operating system reality.

Practitioners who work deeply in this space have arrived at the same conclusion from a different direction. Business advisor Les McKeown, drawing on 15 years of experience launching more than 40 businesses, observed what he called a universal inflection point he named "Whitewater," where everything that worked before has stopped working and the instinct is to assume something has gone terribly wrong. What has happened, as the research confirms, is that the organization has outgrown its own design.

Most owners experience this as a complete surprise, and it shouldn't be.

SECTION 02

Your Team Size Is Telling You Something

Organizational breaking points cluster around predictable headcount thresholds, and they reflect limits in human communication, trust, and cognitive capacity, not bad management.

Around 10 to 15 employees, the founder is still the operating system of the business. Every significant decision runs through them by default rather than by design, and there are rarely true processes yet because the team has been small enough to survive on instinct.

Around 50 employees, the informal trust network that held everything together starts to fail. Compliance gaps appear, management conflicts surface, and people are treated inconsistently across departments, not out of malice but out of the absence of any formal way to guide decision-making.

Around 150 employees, the organization hits what researchers call a biological wall. Dunbar (1992) found that human cognitive capacity limits stable social relationships to approximately 150 people. Beyond that threshold, informal accountability cannot scale. In Dunbar's own framing, keeping things below 150 means you can manage through peer pressure, whereas above 150 you need a top-down, discipline-based management system. W.L. Gore, the company behind GORE-TEX, operationalized this finding as a hard rule, deliberately splitting business units into new facilities every time headcount approached that ceiling.

Headcount Growth and Organizational Breaking Points

Conceptual illustration based on Dunbar (1992) and Churchill & Lewis (1983)

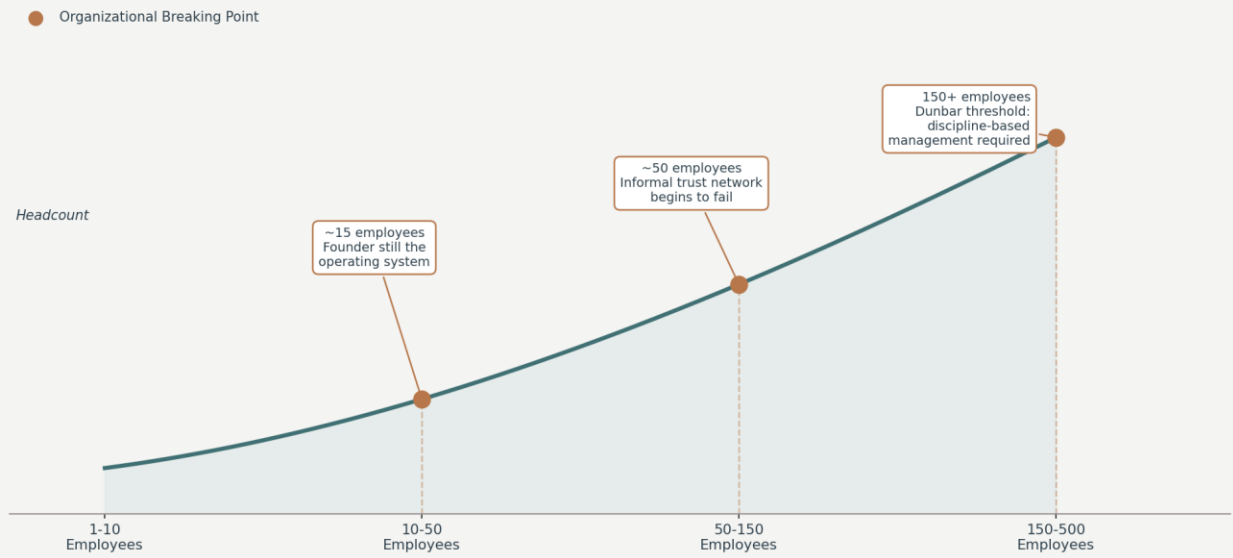


Figure 1. Organizational complexity increases non-linearly across growth stages, with predictable breaking points at key headcount thresholds.

SECTION 03

Your Revenue Stage Is Telling You Something Too

The financial milestones your business crosses signal the same strain through a different lens.

At \$1 million, word-of-mouth and founder-driven effort have carried the business somewhere great, but they will not carry it much further. The founder is still the primary salesperson, decision-maker, and often the primary delivery mechanism, which means growth is capped by one person's time and energy. Churchill and Lewis (1983) identified this transition, from a business driven entirely by personal output to one requiring systematic processes, as one of the most difficult passages a growing business navigates.

Between \$3 million and \$7 million, businesses often stall in what feels like a contradiction: busy but not profitable, growing but not getting ahead. The approaches that worked earlier are generating diminishing returns, and more effort applied to the same model will not produce a different result.

At \$10 million and beyond, the leadership ceiling becomes unavoidable. The founder is often still the de facto decision-maker even when they don't intend to be, and the leadership team hasn't been developed or empowered enough to carry the weight of the next stage of growth.

Revenue Growth and Organizational Inflection Points

Conceptual illustration based on Churchill & Lewis (1983)

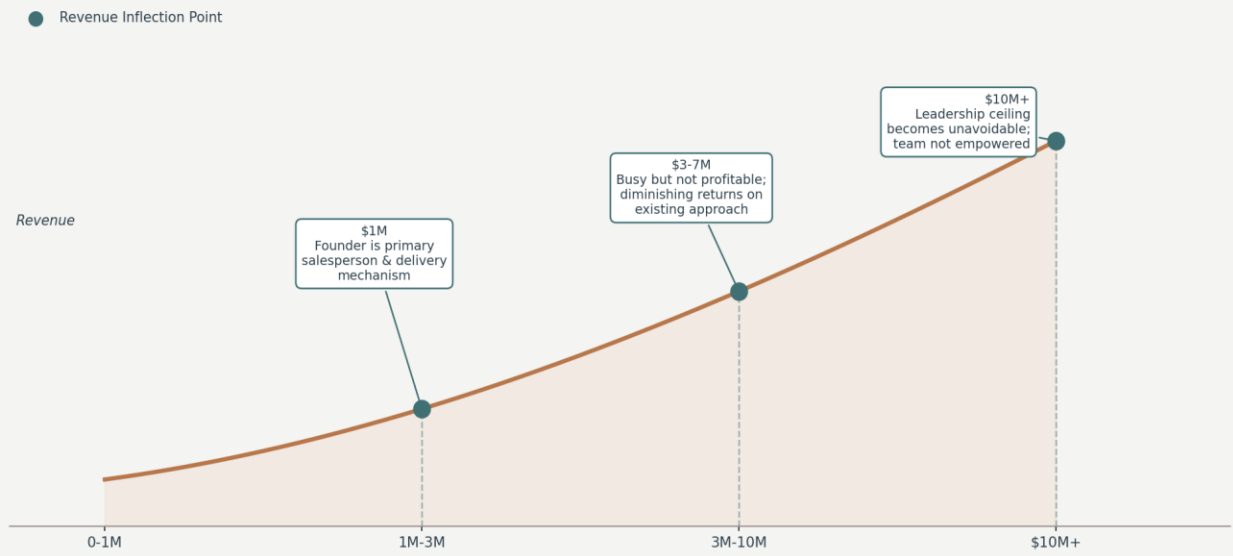


Figure 2. Revenue milestones signal structural inflection points. Each threshold requires a different organizational model, not just more effort applied to the existing one.

SECTION 04

It's Not One Thing. It's the Whole System.

The most expensive mistake a growing business can make is misdiagnosing a design problem as a people problem. Someone isn't performing, a manager isn't cutting it, so a change is made. Six months later, the same dysfunction reappears with a different name attached to it. That is the most important signal you can receive, and most owners miss what it is telling them.

Galbraith (2002) argued that strategy, structure, processes, rewards, and people are not independent levers but an integrated system. When one element falls out of alignment, the others are affected, and growth does not selectively break one part of your organization. It strains the entire design at once, which is why these moments feel so overwhelming from the inside, and why replacing people without addressing the design produces the same problem with different faces.

The symptoms are almost always people-facing: disengagement, turnover, conflict, inconsistent performance. But the root cause is the operating model.

Roles lack clarity, decision rights are undefined, and processes haven't kept pace with the complexity the business has accumulated.

SECTION 05

What To Do About It

Knowing the pattern exists is the first step, because most owners are reacting to symptoms rather than diagnosing the underlying issue. Stepping back to truly assess which inflection point you are approaching changes the conversation from crisis management to intentional leadership.

From there, the work is about closing the gap between the organization you have built and the one your current size requires. That means getting serious about role clarity, decision rights, and whether your processes have kept pace with your growth. It also means resisting the urge to solve a design problem by changing the people working inside a broken design.

And it requires something harder than any of that: the willingness to see yourself clearly. The founder of the \$2 million company eventually did. Once he could acknowledge that the business had outgrown the way he was leading it, the organizational work became straightforward by comparison. The harder work was the personal work of letting go of an identity that had served him well at one stage but was limiting him at the next.

The research and the field experience point to the same conclusion: maintaining enough systems to tame complexity while preserving the entrepreneurial energy that drove growth in the first place is harder to do than it sounds, and the leaders who are closest to the problem are rarely the ones best positioned to see it clearly.

The Bottom Line

The chaos you are feeling is not a sign that you have done something wrong. It may be a sign that you have done something right, because it means you grew. These breaking points are predictable, survivable, and addressable, but only if you recognize them for what they are: signals that your organization has outgrown its current design and that it is time to build the next version of it.

The leaders who build lasting organizations are not the ones who avoid these moments. They are the ones who know what to do when they arrive, and they are rarely the ones who try to navigate them alone.

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West Pine Consulting helps organizations and leaders grow, strengthening how they operate and lead. We are the trusted partner leaders turn to when times feel messy, uncertain, or misaligned, helping them evolve thoughtfully rather than reactively. Our work spans organizational development and effectiveness, leadership development, and human resources strategy, and it is grounded in decades of research and field experience working with rapidly growing small businesses and mid-size organizations.

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