

Key Leadership Challenges for Business Owners Growing from 5 to 20 Employees



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For many entrepreneurs, growing a business from a small team of 5 to a mid-sized group of 20 is an exciting milestone. However, this growth phase is also one of the most delicate in a company's development. The leadership style that worked well with a handful of employees often needs to evolve to support a larger, more complex team. In this transition, the role of the business owner shifts from being a hands-on operator to a strategic leader. Below are the key leadership issues that must be addressed to ensure successful growth.

1. Delegation and Letting Go of Control

When a business has only a few employees, the owner is often deeply involved in every aspect—from sales to customer service to product development. As the team grows, this level of involvement becomes unsustainable. A major leadership challenge is learning to delegate effectively. This doesn't just mean handing off tasks—it means trusting others to make decisions, even if they do things differently.

Leaders must resist the urge to micromanage. This requires hiring competent people, giving them the tools to succeed, and allowing them the autonomy to do their jobs. Letting go is emotionally difficult for many founders, but it's essential for growing.

2. Establishing a Clear Organizational Structure

In a 5-person company, everyone often wears multiple hats, and the chain of command may be informal. As the team grows to 20, ambiguity in roles and responsibilities can cause confusion, inefficiency, and frustration.

Leaders must define clear job descriptions, reporting lines, and accountability mechanisms. This may involve introducing team leads, departments, or specialized roles. Organizational charts can help employees understand how the company is structured and where they fit in.

3. Communicating Vision and Values

When teams are small, vision and values are often transmitted organically through daily interactions. As headcount increases, however, this becomes less effective. Leaders must now be intentional about communicating the company's mission, vision, and values.

This might involve formal onboarding processes, internal communications strategies, and regular meetings where the "why" behind the work is reinforced. A shared sense of purpose helps align the growing team and maintain the original culture.

4. Maintaining Culture During Growth

Company culture can easily shift—sometimes unintentionally—during rapid growth. New hires bring new personalities and work habits, which can dilute the original culture if not carefully managed.

Leaders must actively define, protect, and evolve the company culture. This includes modeling desired behaviors, hiring for cultural fit, and creating systems (such as rituals, feedback loops, or recognition programs) that reinforce core values.

5. Developing Middle Management

One of the most significant changes when growing is the introduction of middle management. At five employees, everyone likely reports directly to the founder. At 20, there is a need for supervisors or team leaders to manage specific functions or groups.

This change can be challenging, especially if early employees are promoted into leadership roles without management experience. Business owners must invest in training these individuals and support their development to ensure they are effective managers.

6. Improving Internal Communication

In a very small team, communication is often informal and ad hoc. As the company expands, relying solely on hallway conversations or casual Slack messages becomes inefficient and risky. Miscommunications increase, and silos can start to form.

Leaders must implement structured communication systems—such as weekly all-hands meetings, regular team check-ins, internal newsletters, and clear documentation. Transparency becomes more important than ever to keep everyone aligned and informed.

7. Establishing Scalable Processes

With five people, it's often possible to operate on instinct and informal processes. As the company grows, informal practices can become a bottleneck or source of confusion.

Leadership must work with the team to develop and document scalable systems for hiring, onboarding, customer service, product development, and more. These processes don't have to be rigid, but they should be clear enough to ensure consistency and quality as the team grows.

8. Hiring Strategically

When the team is small, every new hire has a significant impact on performance and culture. As the company grows, poor hiring decisions become more expensive and disruptive.

Leadership must refine the hiring process to ensure it attracts and selects the right people. This includes developing detailed job descriptions, structured interviews, and cultural fit assessments. It may also be time to bring in external recruiters or human resources professionals to support the process.

9. Balancing Agility with Structure

Startups often pride themselves on agility and speed. But as the team grows, some structure is necessary to maintain order and efficiency. The challenge is to add just enough structure without stifling innovation or slowing down decision-making.

Leaders must find this balance—providing clear guidance and consistency while encouraging creativity and responsiveness. This often means empowering teams with defined goals and the freedom to choose how they meet them.

10. Providing Career Development Opportunities

With a team of five, career paths are often undefined. But as the team grows, employees will begin asking about advancement, skill development, and long-term growth. If they don't see opportunities internally, they may look elsewhere.

Business owners must think ahead about how to retain top talent by offering growth paths, mentorship, cross-training, and professional development. This might include setting up performance reviews, learning budgets, or leadership training programs.

11. Formalizing Performance Management

In a small company, performance feedback is typically informal and frequent. But with 20 employees, leaders need more formalized performance management systems.

This might include regular one-on-one meetings, quarterly reviews, clear KPIs, and mechanisms for peer feedback. The goal is to maintain high performance, ensure alignment with company goals, and support individual growth.

12. Managing Change and Uncertainty

Growth inevitably brings change—new processes, tools, roles, and sometimes even physical office moves or new markets. Not all employees are comfortable with change, and some may struggle to adapt.

Leaders must be skilled at change management—clearly explaining the reasons for change, involving the team in decision-making when appropriate, and supporting people through transitions.

Final Thoughts

Growing from 5 to 20 employees is more than just a numerical change—it's a fundamental shift in how the business operates. The business owner must evolve from a doer to a leader, from a generalist to a strategist, and from a solo decision-maker to a team-builder.

While the challenges are significant, so are the rewards. With the right leadership mindset, processes, and people, this stage can lay the foundation for even greater success. Investing in leadership development—both for the founder and for emerging managers—is one of the smartest moves a growing company can make.

ASK YOUR MENTOR

1. Which leadership challenges did you experience growing your business? How did you resolve them?
2. Is there anything that you would have done differently? What would have you made a priority sooner?
3. Did you have someone walking with you to help discern how to adjust?
4. What type of leader are you? Do you have another leader at your company that complements your style?
5. What do you know about leadership now that you wish you would have known earlier?

6. Has/How has your leadership changed over the years?

Reflect & Respond/Self-Rate- MENTEE

Rate the degree to which you are doing these things in your business. 5 = In place or doing it well

	1	2	3	4	5
Delegation and Letting Go of Control					
Establishing a Clear Organizational Structure					
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Maintaining Culture During Growth					
Developing Middle Management					
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Providing Career Development Opportunities					
Formalizing Performance Management					
Managing Change and Uncertainty					

Go Do

1. Ask God, “What do you think I should prioritize the above?” Listen. What would it look like to trust God with this?
2. Read the story of Nehemiah, especially the section about building the wall of Jerusalem. (Chapters 1-7) What do you notice about Nehemiah’s leadership?
3. Practice. How I will practice or what I will do with this over the next month:

Sources & Resources

Book: [Lead Like Jesus](#), Ken Blanchard

Book: [The 360 Degree Leader](#), John Maxwell