

Essay

The Five Stages of Rise and Fall

*The universal pattern across three thousand years — and how to read your own
organization's position*

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If you study the histories of empires, religious movements, family enterprises, and modern corporations together, the same pattern shows up. The shape is unmistakable once you have seen it. The institution rises, scales, loses its founder, fights with itself, hollows out, and falls. The names change, the centuries change, the technologies change. The pattern does not.

This essay names the pattern, walks through its five stages, and gives the reader a way to read where their own organization currently sits on it. It is one of the diagnostic frames that runs through my book *The Muda Method*. I have placed it here as a stand-alone essay because the frame is useful on its own, before the book's larger argument has been encountered. If the diagnostic resonates, the book is the longer argument about what to do.

1. Why the Pattern Repeats

The pattern repeats because it is not a feature of any particular era. It is a feature of how organizations come into existence, grow, and lose the conditions that originally made them possible. The founder's energy that brings the institution into being is not, by its nature, the energy that sustains it through scale. The system that scales the founder is not, by its nature, the system that adapts to a changed world. The succession that should refresh the institution is, by its nature, the moment of greatest vulnerability.

None of this is a moral failing of the people involved. The pattern operates whether the leadership is brilliant or mediocre, lucky or unlucky, well-funded or capital-starved. The pattern is structural. It can be slowed. It cannot, in most cases, be avoided. The institutions that survive longest are the ones that recognize the pattern early enough to resist its later stages.

The instances are easy to multiply. Rome rises under republican founders, scales under early emperors, struggles through Antonine succession, hollows in the third century crisis, collapses in the west by 476. The medieval monastic orders rise under their founders, scale under institutional codification, splinter through reform and counter-reform, lose membership, dissolve into either reform movements or oblivion. The Kamakura Shogunate, which my book treats in detail, rises under Yoritomo, scales under early Hojo regents, fights through Mongol invasions and internal succession, hollows under late Hojo governance, falls in 1333. The early American industrial corporations follow the same arc compressed into eighty years.

The modern instances are closer to home. Apple under Jobs and after Jobs. IBM in its mainframe peak and through its 1990s near-collapse. General Electric across the Welch ascendancy and the post-Welch decline. Kodak. Blockbuster. Nokia. Sears. The pattern is in every business school case library, often without being named as such.

2. Stage One: The Charismatic Founder

The first stage is the founding. A figure with unusual energy and an unusual view of the world brings the institution into existence. The view is not necessarily original. What is unusual is the willingness to act on it. The founder makes decisions that, on the available evidence, no

consensus-driven process would have endorsed.

The energy in Stage One is undeniable. Resources are scarce, rules are improvised, the team is small enough to function on direct relationship. Decisions are made fast because the decision space is owned by one person whose judgment has not yet been institutionalized. Mistakes are made and corrected at the same speed. The organization, for those inside it, has the texture of a thing that is happening because of choice, every day.

Stage One is, in management literature, the most romanticized stage. The founder myths cluster here. What the literature usually misses is that the conditions of Stage One — the small team, the high judgment density per person, the absence of institutional friction, the speed of correction — are exactly the conditions that Stage Two will systematically eliminate.

3. Stage Two: System Building

The second stage is the institutionalization of what the founder has been doing. The team grows past the size at which everyone can know everyone. Processes are introduced. The founder's judgment, which was previously implicit, has to be partially codified so that people who are not the founder can act on it. Roles are defined. The org chart appears.

Stage Two is, in most management literature, the maturity stage. It is treated as the proper destination of every successful Stage One. The organization is "scaling." Capital flows in. Headcount multiplies. The visible measures all improve.

What is happening invisibly, in Stage Two, is the gradual replacement of judgment with system. Decisions that were previously made by the founder are now being made by people referring to documents that approximate what the founder would have decided. The approximation is, by mechanism, simpler than the original judgment. The simpler version handles the cases the documentation anticipated. The cases the documentation did not anticipate are handled by escalation, until the escalation queue overwhelms the founder, at which point the documentation gets simpler still.

Stage Two is, in its successful form, the moment of greatest visible strength. The institution is large, well-resourced, broadly competent. It is also, in its invisible substrate, beginning to thin. The thing it was good at — the founder's judgment applied to ambiguous situations — is no longer happening at the scale it used to. The team has grown faster than the substrate has.

4. Stage Three: Loss of the Founder

The third stage is the loss of the founder. This can take many forms. The founder dies. The founder retires. The founder is replaced by a board that wants a more conventional leader. The founder, still nominally in office, has aged into a less effective version of themselves and is making smaller decisions.

The visible event is a transition. What actually happens is the moment at which the substrate the institution has been running on — the founder's judgment, the founder's network, the founder's intuitions about which decisions matter — is no longer being renewed. The institution still has the Stage Two system that the founder built. The system continues to operate. What was operating behind the system is no longer there.

Stage Three is rarely recognized as the critical inflection point. The visible measures usually continue to improve for some period after the founder is gone. The momentum of the Stage Two scaling carries the institution through the early post-founder years. The decline begins quietly, often years before any measurable indicator suggests it.

This is why post-founder leadership transitions are so commonly misdiagnosed. The successor is blamed for declines that began before the successor arrived. The successor is praised for performance that was set in motion by the founder. The actual moment of substrate loss, which is what matters, is invisible by construction.

5. Stage Four: Internal Division

The fourth stage is the long, painful unwinding. With the founder's substrate gone and the Stage Two system operating without the judgment that would have corrected its drift, the institution begins to optimize against itself.

Factions form. Each faction has a defensible view of what the institution should be doing. None of them has the founder's authority to override the others. The factions accumulate political capital and spend it on each other. Decisions take longer. The visible work increasingly consists of the institution managing its own internal conflicts rather than addressing the external problems it was set up to address.

The best people start to leave. They leave because they have options. The leaving is, at first, a trickle. A senior person moves to a competitor. A talented mid-career person starts a new venture. An ambitious junior person takes a smaller role at a more interesting institution. The aggregate effect, over a few years, is the slow draining of the substrate that was already thinning before the departures began.

What remains is the political layer — people who are gifted at navigating the institution's internal complexity, often more so than at producing external results. The political layer is real, and its skills are real. What it cannot do is the work the institution was originally for. It can only manage the institution itself.

Stage Four is, in my experience, where most struggling organizations are at any given moment. The headlines often catch them at this point — the layoffs, the strategic refresh, the new CEO, the board shakeup. None of these moves usually changes anything. The substrate is already gone. The visible interventions are operating on the form the substrate used to fill.

6. Stage Five: Collapse

The fifth stage is the collapse. The form, having been hollowed for years, can no longer absorb the shocks that originally posed no threat. A market shift the institution should have anticipated arrives, and there is no one who knows how to respond. A competitor's move that should have been routinely countered goes unchallenged. The financial reserves, having been used to paper over Stage Four difficulties, run out. The customer base, having been retained on inertia, begins to leave faster than new customers can be acquired.

The collapse can be sudden or slow. Sudden collapse is bankruptcy or acquisition under duress. Slow collapse is the long decline into irrelevance, with the institution surviving for years or decades as a smaller, less consequential version of itself.

By Stage Five, intervention is rarely possible. The substrate has been gone for so long that no living memory of the institution functioning as itself remains. The people who would have known what to restore have left or retired. The reconstruction would not be of the institution that was lost. It would be the building of a different institution that takes the same name. Some institutions undergo exactly this reconstruction. Most do not.

7. Where Most Organizations Are

The diagnostic value of the five stages is that they let you read where your own institution currently sits.

My estimate, looking at the major corporations I have studied, is that the majority of large institutions in 2026 are in late Stage Three or early Stage Four. The succession that lost the original substrate has happened. The Stage Two system is running on inertia. The internal political conflict is intensifying. The best people are leaving in slow trickles. The visible indicators are still mostly healthy, because the inertia from Stage Two carries the institution for an extended period.

What separates the institutions that recover from this position from those that do not is not the absence of the pattern. The pattern is structural; it cannot be avoided. What separates them is whether someone in the institution recognizes what stage it is in early enough to do something.

The interventions that work in Stage Three or early Stage Four — the deliberate reconstruction of the substrate, the protection of the relational density, the renewal of judgment capacity — do not work in late Stage Four or Stage Five. The window is finite. The diagnostic exists to help readers find their window before it closes.

8. A Diagnostic

The following is a compact diagnostic. It is not the 28-question instrument I use for organizational engagements. It is the shorter version that any reader can apply to their own institution in a sitting.

For each stage, count the number of statements that describe your institution's current condition. The stage with the highest count is the one your institution is currently in.

9. What the Diagnostic Implies

The diagnostic is, by itself, only useful insofar as it produces honest answers. Most leaders, when they apply it to their own institution, locate themselves one stage earlier than the institution actually is. This is a normal cognitive defense. The work, after the initial diagnosis, is to ask trusted observers outside the leadership whether their reading matches yours.

If the diagnostic places your institution in Stage Three or early Stage Four, you have a window. The window is not infinite, and it does not respond to the interventions that work in Stages One and Two. The interventions that work in this window are the practices I outline in *The Muda Method* — the deliberate reconstruction of the substrate that the post-founder Stage Two system has been quietly losing.

If the diagnostic places your institution in late Stage Four or Stage Five, the work is different and harder. It usually requires building a small parallel institution within or alongside the existing one, with the explicit aim of constructing the substrate the larger institution can no longer carry. This is not the work this essay can describe in detail.

If the diagnostic places your institution in Stage One or Stage Two, the work is to act on the knowledge that the patterns you are currently enjoying — the founder's energy, the scaling system's growth — are the conditions that will, by mechanism, set up the later stages. The interventions that prevent the worst of Stages Three and Four are made now, when the institution can still afford them and when the leadership still has the authority to commit to them.

10. Closing

The five stages are a frame, not a prophecy. The institutions that have lasted across centuries — the cases I study in *The Muda Method* — are the institutions that have refused, at each stage, the default trajectory. The refusal is the practice. It is not glamorous. It is not fast. It is the long, costly discipline of protecting what the optimization of the current stage would have removed.

The frame exists to help readers recognize where they are. The recognition is the necessary first step. Whether the institution survives depends, in the end, on what is done after the recognition is made.