

INSIGHTS · WHITE PAPER

# Why Scale-Ups Stall

*And what the data actually shows about getting through.*

Most scale-ups don't fail. They stall. The pattern is consistent across global research, predictable in its signals, and reversible — but only if leadership recognises what's actually happening.

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## EXECUTIVE SUMMARY

# The Headline Finding

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## **Most Technology Scale-Ups don't fail. They stall.**

Across the most-cited global datasets, the same pattern repeats: roughly 70-80% of venture-backed companies that achieve product-market fit fail to convert early traction into sustained, repeatable growth.<sup>1 2 3</sup>

### **This is not a market problem. It is not a product problem. It is a structural one.**

As Technology Scale-Ups grow, the operating models that drove their early success become the constraints that prevent the next stage. Recognising this inflection point — and responding to it deliberately — is the defining challenge of the scale-up phase. The companies that navigate it well treat the transition as a distinct strategic challenge. The companies that stall treat it as a continuation of what came before.

This paper sets out what the data shows, what the structural signals look like, and what the discipline of getting through actually involves.

# 1. The Scale-Up Reality

**The data paints a clear picture. It is not the one most founders and investors expect.**

Research across multiple global datasets reveals a consistent distribution of outcomes among venture-backed companies that achieve early traction. McKinsey finds that 78% of companies with proven product-market fit fail to scale efficiently.<sup>1</sup> The OECD observes that roughly one in ten start-ups successfully scales.<sup>2</sup> Startup Genome's analysis of approximately 3,200 high-growth internet start-ups found that around 70% scaled prematurely — consuming capital and organizational capacity before the structures were in place to support growth.<sup>3</sup>



*Source: Directional synthesis. McKinsey (2025), OECD (2025), Startup Genome (2011/12), ScaleUp Institute. The 10/30/60 segmentation is interpretive, not a single published statistic.<sup>5</sup>*

The implication is direct: continuing with the same operating model used in the start-up phase will not deliver the repeatable growth that investors expect. There is a natural human tendency toward "if it isn't broken, don't fix it." In scale-up, this misreads the situation entirely. The company is entering a new phase, and that phase requires a fundamentally different model to succeed.<sup>4 6</sup>

## 2. When Demand Is No Longer The Constraint

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**At start-up stage, the problem is finding customers. At scale-up stage, the problem is building the organization to serve them.**

Early-stage companies operate in a world of demand uncertainty. Proving the product works, finding the first customers, validating unit economics. Once traction is established, that challenge is largely solved. What replaces it is a system problem: the organization's internal infrastructure begins to limit how fast it can grow.<sup>4</sup>

Thoughtworks' analysis identifies the most common internal bottlenecks: technology debt that slows delivery, organizational complexity that breeds misalignment, onboarding friction that delays time-to-productivity, and architecture constraints that prevent the product from scaling.<sup>4</sup> These are not symptoms of a bad product or a weak market. They are symptoms of an operating model designed for a different size of organization.

Greiner's foundational research on organizational growth established this pattern half a century ago: each phase of growth eventually creates the conditions for its own crisis, and structures that work well in one phase become constraints in the next.<sup>6</sup> The scale-up inflection point is where this dynamic is most acute. It is also where it is most frequently mismanaged.

### 3. What Stalling Looks Like

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**The signals of structural stalling are observable well before a company reaches a visible crisis.**

They tend to emerge as a cluster, not in isolation:

- Sales pipeline slows and revenue performance becomes inconsistent.
- Customer acquisition costs rise as early-channel efficiency wears off.
- Sales cycles lengthen, with more decisions requiring senior escalation.
- Founders or CEOs increasingly step in to close key deals personally.
- Friction grows between functions. Sales, marketing, product, and engineering misalign on priorities.<sup>7</sup>

Individually, each of these can look like a tactical problem: a weak quarter, a difficult enterprise deal, a personality clash between heads of department. Collectively, they signal something more fundamental — an organization that has grown beyond the reach of its original operating model. Salesforce Research confirms that high-performing organizations at scale differentiate on process maturity, enablement systems, and data-driven operations. Not on individual effort.<sup>7</sup>

#### MINI CASE · 1 of 2

### HubSpot — Engineering The Demand Engine

#### **The challenge.**

By the late 2000s, HubSpot had strong product-market fit and genuine market interest in inbound marketing. Its early growth relied heavily on founder-led evangelism and a passionate early-adopter community. These channels were effective at small scale but could not generate the volume of pipeline the business required to reach its next growth stage.

#### **What happened.**

Rather than hiring more salespeople, HubSpot invested in building a repeatable demand engine: systematic content production, a structured lead scoring and nurturing process, and a purpose-built CRM to manage pipeline at scale. Critically, it made the transition

from 1:few (founder conversations and community) to 1:many (automated, measurable inbound) before the original model broke down, not after.

**STRUCTURAL LESSON**

*Growth-model transitions are easier when they are proactive. Waiting for the founder-led model to visibly fail before redesigning it is costly — in both capital and momentum.*

## 4. Why The Start-Up Playbook Stops Working

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**The operating models that drive early success share common characteristics. They become structural liabilities as the organization grows.**

Founder-led decision-making, informal execution, close-knit teams that communicate without process, and commercial traction built on personal relationships and early-adopter referrals. These qualities are genuine competitive advantages at small scale. They stop working as the company grows, and they fail in predictable ways.

### **The go-to-market model**

Early commercial success is typically 1:1 or 1:few. Dependent on founder credibility, warm referrals, and the enthusiasm of early adopters. Replicating this at volume is not possible. Sustainable scale requires a 1:many model: engineered pipeline generation, disciplined messaging tested across segments, and sales processes that produce consistent results independent of who runs them.<sup>8 9</sup> Without this, growth remains capped by the personal bandwidth of a small number of individuals.

### **Talent and leadership depth**

Rapid hiring without corresponding investment in management infrastructure creates bottlenecks precisely when coordination demands are highest. CB Insights' analysis of over 100 start-up post-mortems consistently identifies team and leadership gaps as primary contributors to failure.<sup>10</sup> In scale-ups, the damage is rarely a single point of failure. It is the accumulated friction of too many decisions waiting for too few leaders capable of making them.

### **The misdiagnosis trap**

When performance falters, the instinctive response is to intensify familiar tactics: add salespeople, increase spend on short-term conversion, push harder on existing channels. These responses can produce short-term improvement that masks the underlying structural constraint, and delay the harder work of operating model redesign. Gartner's data shows average marketing budgets at 7.7% of revenue and declining, reinforcing the pressure to prioritize activation over market development.<sup>8</sup> Binet and Field's research demonstrates the

long-term cost of this trade-off: over-weighting short-term activation consistently erodes growth effectiveness over time.<sup>9</sup>

#### MINI CASE · 2 of 2

## Zendesk — When Organizational Complexity Becomes The Constraint

### The challenge.

Zendesk grew rapidly through its early years on the back of a product that was genuinely easier to use than legacy enterprise alternatives. Its go-to-market model worked well for the SMB segment it initially served. As the business moved upmarket toward enterprise customers, the same model — lean, informal, optimized for speed — began to create problems.

### What happened.

Enterprise sales required deeper pre-sales engagement, more sophisticated commercial structuring, and tighter coordination between product, sales engineering, and customer success. These demands exposed gaps in process, in leadership depth, and in the technology infrastructure supporting the sales motion. Zendesk responded by restructuring its go-to-market organization, investing in sales enablement, and redesigning its CRM and pipeline management systems to match the complexity of the enterprise segment.

### STRUCTURAL LESSON

*Moving upmarket is not only a product challenge. It is an operating model challenge. The processes, talent profiles, and systems that serve one segment well are rarely adequate for the next.*

## 5. The Economic Consequences Of Delayed Transition

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**The financial costs of failing to evolve the operating model are material, and self-reinforcing.**

Valuation discounts of 30-50% are typical for organizations exhibiting stalled growth and elevated execution risk.<sup>11 12</sup> Rising customer acquisition costs reduce the return on commercial investment precisely when investors expect efficiency to be improving. Operational leverage — the mechanism through which scale is supposed to generate margin expansion — fails to materialize.

These effects compound. An organization that delays operating model evolution by 12-18 months does not simply lose that period of growth. It enters the correction phase with a less motivated leadership team, higher embedded costs, and reduced credibility with investors. The cost of early, proactive redesign is almost always lower than the cost of reactive restructuring.

## 6. What Successful Transitions Look Like

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*The organizations that scale successfully treat the transition as a distinct strategic challenge. Not a continuation of what came before.*

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Successful Technology Scale-Ups share a discipline that distinguishes them from those that stall. They treat the transition from start-up to scale-up operating model as a deliberate, time-bound program of redesign — not as an organic process that will sort itself out.

That redesign involves deliberate attention to:

- Governance and decision-making structures.
- Go-to-market repeatability.
- Technology and data architecture.
- Talent model and leadership layer.
- Performance management and reporting systems.<sup>4 6</sup>

Crucially, this redesign does not mean abandoning the entrepreneurial energy that made the company worth scaling. The objective is to industrialize the processes that need to be repeatable, while preserving the creative and adaptive capacity that continues to drive product development and market positioning. The two are compatible. They are only compatible if the transition is managed consciously, rather than left to chance.

## Lessons For A Scale-Up

The pattern is not new. Greiner documented its structural roots in 1972. McKinsey, the OECD, and Startup Genome have confirmed its prevalence in modern high-growth companies.<sup>1 4 6</sup> What the data makes clear is that scale-up stalling is not primarily a function of market conditions, competitive pressure, or product quality. It is a function of operating model mismatch. Start-up approaches applied to a scale-up context for which they were never designed.

### LESSONS FOR A SCALE-UP

#### 01. Stalling is a structural condition, not a tactical one.

When pipeline slows, sales cycles lengthen, and senior leaders are drawn back into deal-closing, the problem is rarely the team executing. It is the operating model behind them. The diagnostic question is not "how do we do more of what worked?" It is "what structural changes are required to operate at the next level of complexity?"

#### 02. The start-up playbook has a shelf life.

Founder-led decisions, informal execution, and referral-driven growth are genuine advantages early on. They are structural liabilities as the company grows. The transition from 1:few to 1:many is the defining operational shift of the scale-up phase. It can be designed in advance or forced by crisis. The first is consistently cheaper.

#### 03. Adding sales headcount to a broken system scales the problem.

Performance falters; instinct says hire more salespeople, increase activation spend, push harder on existing channels. These responses produce short-term improvement that masks the underlying constraint. They also consume the capital that would have funded the structural redesign.

#### 04. Proactive transition outperforms reactive restructuring. Every time.

The same structural investment made before the pressure arrives produces materially better outcomes than the same investment made in crisis. Earlier is

almost always cheaper, faster, and less damaging to leadership credibility. The scale-up transition deserves the same rigour and strategic attention as the product or commercial decisions that preceded it.

## About Coriolis

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### **Coriolis is a marketing organization built for Technology Scale-Ups in the growth-stall zone.**

We work alongside scale-up leadership teams to relieve immediate pressure, build the marketing system the next stage of growth needs, and transfer full ownership to internal teams. Not retainers. Not lock-in. Not a long-term agency relationship.

The Coriolis approach was developed inside one of the world's largest technology companies — Ericsson — where senior marketing partners were embedded inside individual business units, supported by specialist networks. Some accounts delivered 40%+ year-on-year revenue growth. That model became the foundation for Coriolis, rebuilt specifically for Technology Scale-Ups, with one addition: everything transfers to your team.

#### **Where this paper connects to Coriolis services**

- Marketing Operations Process — designs the operating model and cross-functional alignment described in Section 6.
- Demand Generation Strategy — builds the full-funnel architecture and 1:many demand engine referenced in Section 4.
- Go-To-Market Strategy — addresses the segment and positioning evolution described in Sections 3 and 4.
- Performance & ROI Measurement — surfaces the structural signals described in Section 3 with statistical rigour.

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### **Want to talk through how this applies to your business?**

Start a conversation at [coriolismarketing.com/contact](https://coriolismarketing.com/contact)

## Citations And Endnotes

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