Blitzscaling prioritised growth over quality for too long. It’s time to change that

At the peak of the dot-com boom, I managed a $200M venture fund. Though we didn’t have much experience as investors, we managed to get five exits from a portfolio of 27 early-stage businesses. I learned a lot of lessons. Here’s one of them.

Temps de lecture : minute

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VCs often inadvertently harm their portfolio companies. How? By pushing for hypergrowth. Lured by the promise of huge capital raises at lofty valuations in future funding rounds, they encourage their CEOs to amp up growth to the highest possible rate. This often overlooks the critical operational, organisational, and customer service challenges that young companies face as they scale.

This “blitzscaling” idea, popularised by renowned entrepreneur and investor Reid Hoffman, is a brilliant strategy - but one that only applies to a select few companies in very specific situations. By no means is it universally applicable.

The reality of the VC mindset

The unfortunate truth is that many VCs, especially smaller funds and those new to the game, are more focused on growing their Assets Under Management (AUM) than they are on nurturing their portfolio companies. How do they do this? By driving hypergrowth, which results in rapid growth in their ‘marks to market’ – i.e. the paper value of their investments. They then use this ‘paper growth’ to demonstrate success to their Limited Partners (LPs) and raise more funds for future investments. However, all this can come at the expense of embracing what’s actually best for each portfolio company.

Because of their own incentives, VCs latched on to the blitzscaling approach and adopted it as the norm, often setting a 100% annual growth rate as a baseline. This transformed the startup growth process into a relentless chase, driving companies to prioritise speed over quality.

An opportunity for strategic investors

This one-dimensional mindset opens a meaningful window of opportunity for corporate venture investors and other strategics, who operate under different incentives and are more comfortable with a more sustainable growth model.

With VC expectations so firmly entrenched in this mindset, it takes real courage for a founder to tell their investors that they intend to prioritise other factors than just maximum growth. Yes, this is critical. Founders need to pursue a strategy that balances the needs for growth with other factors such as customer satisfaction, operational stability, and organisational maturity.

But with strategic investors on board, that all changes. Unlike VCs, corporate venture arms and strategic investors don’t face the same pressure / incentives to rapidly grow their assets under management. As a result, they can take a more patient, quality-focused approach to growth. This long-term perspective helps to nurture companies that prioritise platform stability, process quality, customer satisfaction, and security over parabolic but potentially unstable or unsustainable growth.

The organisational perils of blitzscaling

One of the most overlooked consequences of blitzscaling is the negative impact it has on organisational effectiveness. Over the years, I've seen scale-up after scale-up end up with highly dysfunctional organisations as a result of growing their top line faster than their people and organisation could keep up. That leads to problems such as lack of alignment, bottlenecks, and internal conflicts that plague the organisation and impact results.

One reason this happens is that founders and CEOs mistakenly understand the word scaling to mean the same things as growing. But in reality, they're very different. Growth is clear: increasing the top line. But true scaling means that the efficiency and effectiveness of your organisation is as high - or higher - when you're 250 people as they were when you were 50. Sadly, this is rarely the case.

True scaling requires experienced, mature leadership, and wise support from the board. These are qualities that corporate venture arms are well-equipped to provide.

Building for longevity

The recent market downturn, marked by significant layoffs in tech, has revealed the fragility of many organisations that grew too fast. As Warren Buffet famously said, *"only when the tide goes out do you discover who's been swimming naked."*

Corporate ventures are capable of fostering companies that prioritise getting "great" before getting "big". This approach can offer a compelling - and lower risk - path to long-term success.

The Smooth Scaling approach

In my book, Smooth Scaling: 20 Rituals to Build a Friction-Free Organization, I outline practical strategies for building high-performing organisations that avoid the pitfalls of high growth. These rituals drive more effective leadership, improved decision making at all levels, tighter and faster execution, and a more people-centric culture – the four foundations of a great organisation.

By implementing these rituals, entrepreneurs can ensure their organisations scale smoothly, maintaining alignment, efficiency, clarity, and agility, as they grow. The rituals apply to companies of all sizes but are particularly essential for companies going through the key scaling phase from 50 to 250 employees.

By adopting the Smooth Scaling approach, leaders can build more robust businesses as well as cultures in which every team thrives. It's a systematic playbook that enables leaders to anticipate and manage the challenges of growth at every stage..

Ultimately, smooth scaling is about recognising that sustainable success comes from balancing revenue growth with organisational effectiveness and efficiency. By focusing on both, entrepreneurs can build resilient organisations capable of achieving long-term greatness.

Rob Bier is the author of*Smooth Scaling: 20 Rituals to Build a Friction-Free Organization.*

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