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Why Startup Success Can Become Employee Stress

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> Growth can bring unwanted side effects: leadership overload, employee burnout, more complicated systems and processes, and a change to the familiar culture.

Growth is one of the holy grails of entrepreneurship. Investors chase it, founders obsess over it, and entrepreneurship scholars view it as one of the key metrics of startup success (Shepherd & Wiklund, 2009). The appeal is clear: as startups grow, they create jobs, generate wealth for stakeholders, and offer new opportunities for their workforce. It's a classic win-win story. Or is it?

Beneath the surface of this success narrative lies a tension that is often experienced most acutely by the startup's employees: While growth can benefit employees through career advancement and skill development opportunities, it also leads to the accumulation of what we might call "non-financial debts." These costs often hide in plain sight and can seriously undermine employee well-being during periods of accelerated growth. This creates an additional layer of complexity unique to the startup employment landscape (Bort, 2025).

To illustrate, consider a startup that doubles its workforce every six months or one that triples its revenue while scrambling to keep up with customer demands. These sound like success stories, but they often mask a darker reality. Employees struggle with workplace chaos; managers are overwhelmed by scaling challenges; and the once-cohesive teams fragment as the number of new faces outnumber incumbent employees. In just a matter of months, the startup has become nearly unrecognizable from what it was just a short period ago.

In the remainder of this article, we'll elaborate on some challenges associated with startup growth. In doing so, we'll draw on scholarly research that we and others have done on these issues. Finally, we'll offer some suggestions for how companies can begin to recognize and address these challenges.

The Promises of Growth and Its Reality

Though growth is largely celebrated within the broader entrepreneurial community, the complexity of growth has been noted since its origins as a topic of study. In a classic book from 1959, "The Theory of the Growth of the Firm," Edith Penrose highlighted the benefits of firm expansion, but she also took note of some key challenges. Chief among them: the existing team cannot indefinitely expand its scope to handle additional work, and simultaneously, new team members take time to acclimate to a new organization. While Penrose studied manufacturing firms operating in the 1950s, her primary ideas offer important foundations for the contemporary era of rapid growth (Bort et al., 2025).

While growth generates obvious benefits like employment opportunities and potential financial rewards, it simultaneously creates less visible burdens that accumulate like debt on a company's organizational balance sheet. These non-financial debts typically emerge through two intertwined pathways: operational complexity, the pressure that explosive revenue growth places on systems and leadership, and social complexity, the strain that rapid headâÂ�Â�count expansion places on culture and cohesion. Ultimately, both pathways can erode the employee experience.

Unlike financial debt, these organizational strains can't be measured in dollars and cents, making them easy to

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overlook until they seriously damage employee satisfaction and retention. The startup environment amplifies these challenges because, unlike established companies with robust systems and experienced management teams, startups must build organizational capacity while simultaneously pursuing aggressive growth targets.

A New Lens: Non-Financial Debts

Non-financial debt is not unique to startups—many professions face similar burdens. In software development, for example, teams often accumulate “technical debt,” where early shortcuts to get software shipped quicker end up requiring more extensive refactoring later in the maintenance process. Similarly, architectural firms might incur “design debt” when they compromise on aesthetic vision to meet tight deadlines, knowing they'll need more extensive renovations down the road. Though these debts won’t show up on a balance sheets, they can grow quickly – and dangerously – when left addressed.

In the startup world, organizational growth creates a number of analogous debts. Growing startups often bypass proper organizational development to hit growth targets, assuming they can "fix things later" when they're bigger and more stable. Engel and Colleagues (2023) recently conducted a study focused on “diversity debt,” where a lack of female representation made the firm less attractive to potential female employees, which the authors then note creates a vicious cycle. Bort, Wiklund, and Yu (2025) uncovered two “big tent” mechanisms that specifically stem from rapid growth.

Managerial performance limitations surface when revenue outpaces the growth of leadership capabilities. Founders who once excelled at building initial products struggle to manage complex operations. Middle managers get promoted based on loyalty rather than management skills. Systems that worked for a 20-person company buckle under the weight of 200 employees. Customer service suffers as teams can't keep pace with demand, leading to frustrated clients and stressed employees.

Social-structural problems emerge when companies hire too quickly. New employees struggle to integrate into established teams. Company culture becomes diluted as the original core team gets overwhelmed by newcomers who don't understand “how things work here.” Communication breaks down as informal networks that once connected everyone become insufficient for a larger organization. Diversity and inclusion challenges intensify as rapid hiring often prioritizes speed over thoughtful team composition.

These aren't abstract challenges; they are lived realities for many startup employees navigating the turbulence of startup hypergrowth. Notably, these challenges don’t affect all employees equally. For example, women experience greater job demands during rapid growth, leading to more sick leave. Fortunately, these negative consequences can be mitigated if female employees are given sufficient resources to deal with these demands (Genedy et al., 2024a).

Nuances of Firm Growth and Implications for Startup Leaders

Today’s startups grow across an expanding set of metrics. Over the past decade, the number of social media followers has emerged as a visible indicator of reach and traction. In the coming years (or possibly months), attention is likely to shift to the number of artificial intelligent (AI) agents a startup has deployed. Yet, not all growth is created equal. Evidence suggests that employment growth and revenue growth affect organizations differently, requiring distinct management approaches.

For example, whereas revenue growth creates operational complexity, employment growth tends to create social complexity. As revenue expands, startup leaders will find continuously adapting to the demands of new customers while maintaining the relationships of more tenured customers an increasingly difficult puzzle. As head count expands, maintaining functional relationships between team members becomes more daunting.

With an eye toward potential future metrics of growth, startup leaders will face increasingly difficult decisions concerning when to deploy AI agents or hire a human. While AI agents work around the clock and (potentially) behave consistently given wellâÂ?Â?crafted learning algorithms, these future metrics will create new forms of nonâÂ?Â?financial debt as leaders decide when to substitute machines for people. For the human employees who remain part of the future startup workforce, there will undoubtedly be new and novel non-financial debts, such as over-dependency on AI agents to complete basic tasks as once-common skills begin to degrade.

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Understanding these distinctions helps explain why some rapidly growing startups maintain high employee satisfaction while others see worker happiness crater despite apparent success. Smart startup leaders can manage growth to minimize non-financial debt accumulation by recognizing that sustainable growth requires parallel investment in organizational capacity, not just business metrics.

Implications for Growing Ventures

Firm growth is a critical aspect of operating a successful new venture. In fact, some of the challenges we've described are actually positive signals—they indicate that the startup is gaining traction and moving in the right direction (see Alacqua, 2025 for further insights). However, the transition from fledgling startup to continuous expansion requires building stabilizing structures (Bennett, 2021). This shift is rife with challenges the venture's stakeholders must actively manage.

The key is recognizing that non-financial debts accumulate gradually and often invisibly. Investors should track organizational health metrics alongside financial returns, understanding that sustainable growth requires both. Proactive leaders should implement regular organizational health assessments alongside traditional financial metrics, while employees must actively communicate emerging workplace issues before they escalate into full blown crises. Rather than waiting for problems to surface through turnover rates or performance problems, all stakeholders should attempt to create warning systems that capture organizational strain before they become highly visible and impact business outcomes.

One effective approach is establishing multiple channels for employees to voice concerns through unstructured feedback. Anonymous free-form text submissions and town-hall listening sessions can surface critical issues that traditional employee satisfaction surveys often miss -- for example, the subtle communication breakdowns, cultural erosion, and workflow friction that employees experience daily. These unprompted insights serve as early indicators of non-financial debt accumulation, allowing stakeholders to address problems before they escalate into turnover, performance declines, or organizational dysfunction.

Speed remains critical to succeeding in the high-velocity, high-uncertainty environment that entrepreneurs commonly face (Bort et al., 2024). But speed without organizational awareness can be destructive. By acknowledging these hidden costs upfront and building employee feedback mechanisms into their growth plans, stakeholders can pursue ambitious targets while preserving organizational health.

Implications for Researchers

As the future of work continues to evolve, entrepreneurship researchers must adapt quickly to identify emerging workforce challenges. We need more nuanced, high-quality data that captures both the breadth and depth of employee experiences during rapid growth. Most critically, future research must focus on understanding how different types of startup growth impact employee well-being. While we increasingly know that rapid growth can harm employee outcomes, we lack sufficient understanding of the underlying mechanisms.

The solution lies in combining large-scale quantitative databases with in-depth qualitative methods. Large-scale studies using matched employer-employee data identify patterns across industries and regions concerning information such as socio-economic status, sick leave, or job titles (Genedy et al., 2024b), while ethnographic studies (Van Lancker et al., 2023) and online narrative-based data sources (Bort et al., 2025) tap more directly into the visceral aspects of the employee experience. This multi-methodological approach reduces the risk of scientific apophenia (Goldfarb & King, 2016), where scholars are too far removed from actual employee experiences, and instead gives researchers enhanced opportunities to identify causal mechanisms that might otherwise go undetected.

By diversifying our methodological toolkit and bridging the gap between statistical patterns and human experiences, we can advance our understanding of how growth shapes the startup workforce—ultimately benefiting both the science of entrepreneurship and the employees who power these dynamic organizations.

Takeaways

- **Growth creates hidden costs**: Rapid expansion can accumulate "non-financial debt" like cultural strain, leadership overload, and employee burnout.

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- **Different types of growth, different challenges:** Evidence suggests that revenue growth drives operational complexity, while headcount growth drives social complexity. Each require distinct management strategies.
- **AI introduces new organizational risks:** As AI becomes a growth metric, overreliance may erode essential human skills and create new forms of non-financial debt.

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