

FOUNDER'S FIELD REPORT · NO. 01

Top 10 *critical mistakes* Series **A & B** SaaS founders make.

A diagnostic guide to the Growth Chasm, the operational dead zone between \$1M and \$10M ARR where venture-backed companies quietly break.

FOR

Series A / B
SaaS Founders & CEOs

READ TIME

22 minutes

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Navigating the growth chasm in a *corrected* market.

The transition from Seed to Series A, and from A to B, is the most perilous phase in the lifecycle of a SaaS organization. The organizational muscle memory that propelled a startup to its first \$1-2M ARR is inherently incompatible with the rigour of scaling to \$10M and beyond.

VCs call this *The Growth Chasm*, an operational dead zone where the tactics that created traction actively begin to fracture the company.

The macroeconomics of 2025-26 have ruthlessly exposed these fractures. Only **15.4%** of startups that raised a Seed round in early 2022 secured a Series A within two years, a 50% decline from 2018. For SaaS specifically, graduation rates fell from **37% to 12%**.

The bar has been raised. Capital efficiency, durable unit economics, and operational predictability now dominate the scorecard.

TABLE 01 · SERIES B BENCHMARK SHIFT

METRIC	PRE-2021 EXPANSION ERA	MODERN SERIES B · 2025/26
Annual Recurring Revenue	\$2.0M, \$4.0M	\$4.0M, \$8.0M
YoY Growth Rate	2x-3x (high burn tolerated)	2x-3x (capital efficiency required)
Net Revenue Retention	> 100%	> 110%, 120%+
CAC Payback Period	24+ months	< 12-18 months
Burn Multiple	Growth > burn	Held below 1.5x, 2.0x

" When scaling SaaS companies stall, the root cause is rarely a lack of market need, it's predictable, addressable internal execution error.

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The ten mistakes.

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HOW TO READ THIS

Each mistake is broken into three parts, **The Trap** (why smart founders fall into it), **The Fallout** (what breaks), and **The Fix** (the operating playbook). Skim the traps first.



MISTAKE # 01 · PRODUCT

01

Succumbing to the *Feature Fallacy*.

The belief that a product's value is proportional to its volume of code, and that shipping more features will plug a leaking bucket.

24.5%

Average core feature adoption rate in SaaS, 75% of shipped features go ignored

3x

Confused users churn faster than unhappy ones as UX cognitive load climbs

<10%

Adoption threshold below which features should be audited & cut

THE TRAP

When growth stalls, the reactionary instinct is to assume the product lacks functionality. Sales returns from lost deals citing missing integrations; loud legacy customers demand edge-case tools. The organization marches into *The Build Trap*, where success is measured by the velocity of shipped features (outputs) rather than business value (outcomes).

Shipping code feels like tangible momentum. In a hyper-saturated market, reacting to competitor roadmaps provides false comfort.

THE FALLOUT

Every new feature adds cognitive load to the UX, muddying the core value proposition and extending *Time-to-First-Value*. Paradoxically, confused users churn faster than unhappy ones. Technical debt explodes as edge-case features demand perpetual QA, consuming bandwidth that should be directed to architectural scaling and genuine innovation.

THE FIX

01

Transition roadmaps from feature timelines to **outcome-based objectives**. Not "ship dashboard by Q3", "reduce time-to-first-key-action by 2 minutes."

02

Adopt **Jobs-to-be-Done**. Customers don't buy software, they hire it to make progress. If a feature doesn't accelerate that job, discard it.

03

Embrace **subtraction**. Audit features with sub-10% adoption. Eliminate secondary paths to force the primary value loop to become unavoidable.

MISTAKE № 02 · PEOPLE

02

Promoting a junior PM to *VP Product* too early.

The Peter Principle, applied to the riskiest executive seat in a scaling startup.

THE TRAP

At Series A/B, the founder can no longer manage daily product minutiae. Out of loyalty, and underestimation of the role's complexity, they promote an early PM or lead engineer to VP Product. The assumption: deep historical knowledge of the codebase makes them the safest choice.

THE FALLOUT

VP Product has exceptionally high turnover in the first 12-24 months. A tactical "doer" elevated to strategic "leader" micromanages ICs while macro strategy collapses. They lack the network to recruit senior engineers and the gravitas to push back on CEO whims or Sales demands. The roadmap devolves into a reactive backlog.

50 / 50

THE RULE

Promote **50%** of management from within to preserve institutional knowledge, and aggressively hire the remaining **50%** externally to inject proven scaling experience and new operational frameworks.

THE FIX

For VP Product specifically, an external hire with stage-relevant experience, someone who has scaled a product org from 5 to 50, is almost always mandatory. The leader who crosses from \$1M to \$10M ARR is fundamentally different from the scrappy builder who got you from 0 to 1.

Interview for **systemic thinking**. Candidates must demonstrate proven ability to implement Product Operations, a replicable, hypothesis-driven product engine that scales independently of any single employee's heroic effort.

MISTAKE # 03 · ORG DESIGN

03

Letting GTM and Product *silo*.

The "Bait & Switch" experience that plummets activation and accelerates early-stage churn.

85 / 85

The Alignment Gap, 85% believe they're aligned with corporate goals; 85% report severe cross-functional misalignment

3

Different narratives a single customer hears, Marketing promises A, Sales pitches B, Product delivers C

2x higher

Churn rate for customers acquired through misaligned messaging in first 2 quarters

— THE TRAP

As ARR crosses \$3M, the intimate single-room startup fractures into specialized departments. Marketing optimizes top-of-funnel; Sales optimizes quota; Product optimizes feature engagement; CS absorbs tickets. Founders encourage it, mistaking narrow focus for efficiency.

— THE FALLOUT

Capital incinerates through wasted lead flow. Marketing generates MQLs on vanity metrics; Sales rejects them as unqualified. Product builds in a vacuum because customer objections stay trapped in call recordings. The feedback loop is severed.

— THE FIX, RESTRUCTURE AROUND THE CUSTOMER JOURNEY

CROSS-FUNCTIONAL PODS

A "Growth Pod", PM, growth marketer, engineer, AE, all singularly focused on one lifecycle stage (e.g. activation).

SHARED REVENUE METRICS

Marketing on pipeline velocity and Closed-Won ARR. Product on Net Revenue Retention, not features shipped.

OPERATIONALIZED LOOP

Mandatory recurring syncs where Sales & CS present aggregated objection data and churn exits to Product leadership.

MISTAKE № 04 · STRATEGY

04

Letting enterprise *whales* hijack the roadmap.

How one \$250K contract turns a scalable SaaS into a low-margin, bespoke IT consultancy.

THE TRAP

A Fortune 500 prospect is intoxicating, a quarter-million ACV, recognizable logo, investor validation. But these clients rarely accept off-the-shelf software. They leverage purchasing power to demand bespoke features, legacy integrations, and unique deployment. The founder, desperate to close, promises it all.

THE FALLOUT

Engineering is tied up for six months on one client. Core SMB/Mid-Market customers starve, accelerating churn in the segment that provides baseline stability. Custom code introduces per-tenant if/then logic, making future global updates exponentially riskier. The platform becomes less appealing for everyone.

THE 60% GUARDRAIL

60%

No feature is built for a single client unless there is empirical evidence it will simultaneously benefit at least **60% of the broader customer base**. If they must have bespoke, monetize it separately as professional services, never as part of the recurring SaaS fee.

THE FIX

Move upmarket naturally, driven by the organic needs of your fastest-growing customers, not by anomalous demands of a single prospect. Architect for modularity: robust APIs, webhooks, and composable layers that allow enterprise clients (or their systems integrators) to build custom workflows on top of your platform *without* compromising the core codebase.

MISTAKE # 05 · STRATEGY × FINANCE

05

Disconnecting product strategy from *revenue*.

At Series B, VCs aren't funding a "great idea" anymore, they're underwriting a mathematical revenue engine.

— THE TRAP

In early days, product strategy is qualitative, intuition, design-partner calls, founder willpower. That's necessary for initial PMF. But as the company scales, founders fail to translate qualitative vision into quantifiable, metric-driven strategy, believing that great UX will automatically become efficient financial growth.

— THE FALLOUT

Strategic Drift. The company fails the **Rule of 40**, ARR growth rate + profit margin $\geq 40\%$. R&D bloats without reciprocal ARR. Engineering over-invests in top-of-funnel acquisition features while neglecting retention and expansion, the single most compounding driver of enterprise value.

TABLE 02 · R&D PORTFOLIO ALLOCATION

BUCKET	FOCUS	% OF ENGINEERING BANDWIDTH
Core enhancement	Defend retention, deepen existing value	50%
New market expansion	Drive net-new acquisition	30%
Technical debt & infra	Protect future margins	20%

— THE FIX, HYPOTHESIS-DRIVEN PRODUCT MANAGEMENT

Every major roadmap initiative must explicitly answer: **Will this drive net-new acquisition, accelerate the sales cycle, or tangibly increase Net Revenue Retention?** Apply the same telemetry rigor to the post-sale journey that marketing applies to the pre-sale funnel, track Time-to-First-Value, account-level adoption, and automated renewal risk flags.

MISTAKE # 06 · GO-TO-MARKET

#06

ICP drift, the silent killer.

How expanding your "addressable market" often means diluting your strategy into meaningless demographics.

2.3x

CAC inflation when ICP targeting becomes misaligned

3 → 6_{mo}

Sales cycle stretch when every prospect needs a custom pitch

\$10-20M

ARR band where drift-driven growth plateau mysteriously appears

— THE TRAP

Post-Series-A pressure forces sales to accept deals slightly outside the original profile. Marketing broadens messaging; product stretches to accommodate diverse use cases. Founders mistake this for TAM expansion. In reality, the ICP has shifted from a precise filter to a meaningless statement like "B2B SaaS selling to enterprise IT."

— THE FALLOUT

Diluted messaging collapses conversion rates. Every prospect requires a custom demo. Customers outside the core ICP never realize intended value, they flood support with irrelevant requests and churn within two quarters. A mysterious growth plateau appears around \$10-20M ARR.

— THE FIX, TRANSITION FROM ICP TO **SPECIFIC CUSTOMER PROFILE**

DEFINE THE SCP

Not demographics, the **acute pain, tech environment, and buying trigger** (recent exec hire, failed internal build, compliance mandate) that makes your product an urgent necessity, not a discretionary luxury.

QUARTERLY DEAL AUDITS

Review the last 20 closed-won and closed-lost. If >30% of closed-won deals fall outside the strict SCP, you're drifting, rein in marketing spend and sales targeting immediately.

" The CEO must weaponize the word "no." Every hour spent on a low-fit account is an operational subsidy the company cannot afford.

MISTAKE № 07 · LEADERSHIP

#07

The founder prematurely stepping out of *sales*.

Cited by leading SaaS investors as the single most devastating transition error.

— THE TRAP

Post-Series-A, exhausted founders hire a VP Sales and retreat to product or strategy. The dangerous assumption: an external executive possesses a magical playbook that instantly replicates the founder's closing ability, with no ongoing founder involvement. Profound burnout plus misconception equals abdication.

— THE FALLOUT

The *Desperation Hire*: a VP who looked stellar at Salesforce but can't execute in chaos. This single mis-hire sets growth back **6-12 months** and burns massive runway. Even with a great hire, win rates drop, early prospects buy into the founder's vision as much as the product. And the most critical market feedback loop is severed.

THE WEEKLY MINIMUM

≥ 10

A scaling CEO maintains no fewer than **10 customer or prospect interactions per week**, ensuring a visceral, unfiltered connection to the market's evolving needs, competitor landscape, and unspoken reasons deals are lost.

— THE FIX, EVOLVE THE ROLE, DON'T ABANDON IT

The CEO systematically repurposes sales time: drop into complex deals mid-cycle, assist with procurement for high-value accounts, act as executive sponsor to push deals over the finish line. Treat the first VP Sales as a **co-pilot, not a replacement**. Train them on the unique value proposition. Jointly define and document the scalable sales motion across the first few dozen deals *before* delegating pipeline ownership.

MISTAKE № 08 · DIAGNOSIS

08

Misdiagnosing growth, the *tactic overload* trap.

Confusing motion with progress, and brute-forcing a broken system until capital is incinerated.

THE TRAP

Pipeline flattens. Boardroom pressure mounts. Marketing launches new paid campaigns across every platform; Sales drastically increases cold-call volume; Product ships a slew of features for press. Founders assume more execution volume can brute-force through the plateau. Applying more pressure to a fundamentally broken system only accelerates capital burn.

THE FALLOUT

The *Growth ≠ Acquisition* fallacy. SaaS execs spend ~75% of their time on acquisition despite expansion ideally accounting for 20-30% of monthly revenue at Series B. Premature executive turnover follows, fire VP Sales, hire a CRO, discover the new exec can't conjure PMF out of thin air. The destructive hire-and-fire cycle begins.

THE FIX, DIAGNOSIS BEFORE SPEND

TOP OF FUNNEL

Is it an **awareness** problem? High lead volume but <15% MQL→SQL = targeting & messaging issue, not channel spend.

MID-FUNNEL

Is it a **conversion** problem? Diagnose the ICP, pitch, and deal-desk before replacing leadership.

POST-SALE

Is it a **retention** problem? Plug leaks in onboarding and Time-to-First-Value before turning the acquisition faucet back on.

🗣️ Stop borrowing competitor playbooks. Strategy must precede execution, every time.

MISTAKE # 09 · MONETIZATION

09

Treating pricing as *set-and-forget*.

The average SaaS company spends 8 hours on pricing strategy across its entire corporate lifetime.

\$2.4M/yr

Unrealized revenue leaking from a \$15M ARR company with poor pricing architecture

8hrs

Total time an average SaaS spends on pricing strategy, across its entire lifetime

98%

Of SaaS companies see neutral or positive revenue impact after adjusting pricing

TABLE 03 · PRICING MODEL MATURITY

CHARACTERISTIC	STATIC / EARLY-STAGE	OPTIMIZED / SCALING
Architecture	Flat-rate, one price for all	Tiered Good / Better / Best
Expansion Mechanism	Forced manual upsells	Usage-based automatic expansion
Value Metric	Arbitrary per-seat pricing	Aligned to core value, API calls, data, compute
Review Cadence	Set once at launch	Re-evaluated 1-2x annually

THE FIX

Establish a **tiered Good/Better/Best** packaging that balances simplicity with flexibility. Identify a **value-based expansion metric**, align pricing to how the customer actually derives utility, so revenue scales automatically as their business grows. Treat pricing as a continuous product feature: assign a dedicated owner in Product, RevOps, or Marketing to research willingness-to-pay and run 1-2 strategic tests per year.

MISTAKE # 10 · DEFENSIBILITY

10

Ignoring the AI shift, the *GPT wrapper* threat.

The traditional SaaS playbook of workflow automation and seat-based pricing is no longer defensible on its own.

THE TRAP

Founders believe that integrating an OpenAI API call into their existing app, a flashy demo, a basic chatbot, is sufficient to maintain a competitive moat in 2026. They mistakenly assume workflow automation + seat pricing will remain defensible against AI-native challengers and empowered enterprise IT teams.

THE FALLOUT

Commoditization. The market has ruthlessly labeled these "GPT wrappers." Enterprise customers question renewals when their internal analysts can theoretically build AI-augmented dashboards to replicate core functionality. Reliance on horizontal model providers exposes the company to nondeterministic outputs and hallucinations, unacceptable in compliance, legal, and accounting contexts.

THE FIX, THE "LAST MILE" OF ENTERPRISE AI

SCAFFOLDING

Build substantial constraints around base models. Run rigorous evals. Orchestrate sequences across multiple models to handle messy reality and siloed corporate data.

IMPLEMENTATION

Lean into gritty, in-the-weeds integration. Encode the unique policies, legacy systems, and cultural workflows foundational model providers will never touch.

SYSTEM OF RECORD

Capture proprietary data. Build deep vertical integrations with legacy infra. Create human-AI interaction loops that become organizational muscle memory.

" You cannot vibe-code compliance, legal documentation, or mission-critical accounting.

§ CONCLUSION

From *doer* to **system builder.**

Navigating Series A to B requires a fundamental metamorphosis. The founder must evolve from an execution-focused "doer", relying on heroics, brute force, and ad-hoc deployment, into an architectural **system builder**.

Scaling is not about generating chaotic momentum. It is about engineering precise alignment.

It demands the restraint to **prune** rather than bloat, the courage to **enforce ICs** against the allure of whales, and the foresight to unify GTM and Product under shared, indisputable revenue metrics.

Top-quartile companies treat growth not as improvisational art, but as rigorous, disciplined science.

THE ULTIMATE LEVERAGE

Bridge the gap in *weeks*, not quarters.

Hiring a full-time CPO commands a **\$250K+** base, significant equity dilution, and a **6-9 month** ramp, runway scaling startups don't have. A Fractional CPO injects battle-tested product leadership directly into the executive team at a fraction of the cost, with immediate, compounding impact.

[Book an intro call](#)saasfractionalcpo.com

WHAT YOU GET

- 01 Product strategy one-pager tied to revenue
- 02 Outcome-based roadmap with bet sizing & KPIs
- 03 Pricing & packaging test matrix
- 04 Analytics & instrumentation map
- 05 Hiring plan & scorecards for key roles

TYPICAL ROI: WITHIN ONE QUARTER

SK

Sivan Kadosh

Fractional CPO · 18 years scaling SaaS products · \$100M+ revenue impact

CURRENTLY ACCEPTING A LIMITED NUMBER OF ENGAGEMENTS

