TFK LEADERSHIP INTELLIGENCE SERIES

Scaling Informality

How a startup's greatest early asset becomes its most invisible scaling liability

TFK Leadership Analysis & Executive Search | 2026 | Proprietary Research

"Builders loathe bureaucracy. But the absence of structure is not freedom - it is the precondition for chaos."
- Andy Jassy, Amazon CEO Letter to Shareholders, 2024

Abstract

Informality is not a weakness. In a startup's early days, it is the advantage - the thing that lets ten people move faster than a hundred, trust each other without a policy and make decisions without a meeting. The org chart is everyone.

Then the company scales. And informality - which was never designed to scale - begins to fail in silence. With a slow accumulation of misunderstandings, missed handoffs and new hires who never quite learn the unwritten rules because no one has written them down.

This paper makes a claim no process consultant will make: the problem is not the informality. The problem is that the informality was never managed as the leadership asset it actually was - which means no one noticed when it stopped being an asset and became a liability.

1. What Is Actually Happening

At ten people, culture is personal. It is the founder's habits, the first hires' instincts, the way the team makes decisions when no one has set a policy. Information is ambient - everyone knows what everyone else is working on. Trust is transactional and immediate. Speed is effortless because there is almost no coordination cost.

> *What worked at 10 breaks at 30. At 60, things feel different again. By 100, the company may not resemble what it once was. The founders who built it call this growing pains. What it actually is: the cost of managing informality as though it would scale on its own.*

Human beings can maintain genuine trust relationships with roughly 150 people. Below that number, informal coordination works - everyone knows everyone, trust is personal and communication is ambient. Above it, the cognitive load of maintaining those relationships exceeds what the brain can manage. Formal structure is not a bureaucratic imposition at that point. It is a biological necessity.

The failure is not crossing that threshold. Every company that grows does. The failure is treating the new scale as though the old operating model still applies and then wondering why things feel slower, less aligned and less like what the company used to be.

2. What Is Driving This

Informality is never named as a system

The reason scaling informality is so poorly managed is that it is never recognised as a system in the first place. Founders know they have a culture.

When a new hire joins a 15-person team, they learn the culture through osmosis. They sit near the founder. They hear the reasoning behind decisions in real time. When a new hire joins a 60-person team, they learn the culture through onboarding decks and line manager interpretations. The culture they receive is already a copy of a copy. By the third generation of hire, the original signal has degraded significantly.

The formalisation response is too blunt

When the costs of informality become visible - missed handoffs, inconsistent decisions, new hires who do not share the same operating instincts - the typical response is a process intervention. Document everything. Add approvals. Create policies. Build the handbook.

This is not wrong. But it is incomplete and when done without leadership design, it produces the worst of both worlds: the speed of informality is lost and the clarity of real structure is never achieved. The formalisation reflex addresses the symptom. The leadership question it bypasses: which parts of the informal system were actually producing value and how do those get intentionally preserved as the company scales?

The founder carries the culture alone

In the early days, the founder is the culture carrier. Their presence, their decisions, their energy in the room transmits everything the company believes about how to work. This is not a problem at ten people. It is a critical vulnerability at sixty. Most founders do not make this transition deliberately. They continue to rely on proximity and personal transmission, not noticing that most of the company no longer has access to either.

3. Where This Shows Up

In the new hire experience

Early employees learned the culture through proximity to the founder. New hires at 50+ people learn it through whoever onboards them. The culture they receive is already interpreted, already filtered. Two hires who joined six months apart have fundamentally different understandings of how the organisation actually works.

In the decision-making pattern

At ten people, decisions were made fast because context was shared. At fifty, decisions slow down - not because the process is broken, but because the informal context-sharing mechanism that made speed possible no longer reaches everyone. People wait for meetings that used to happen in corridors.

In the early employee's frustration

The people who built the company in its first phase become its most vocal internal critics at the scaling phase because they can feel the distance between what the company is and what it was. They are usually right. What they cannot always articulate is that the problem is not growth. It is unmanaged informality.

Temporal pattern: Scaling Informality becomes visible at three specific thresholds - 30 people, when personal transmission of culture starts to fail; 60 people, when the founding team can no longer be in every room; and 150 people, when Dunbar's limit is crossed and informal trust networks structurally cannot cover the whole organisation. Most companies address it as a culture problem after the third threshold. The intervention was needed at the first.

4. What Leaders Are Struggling With

- How to preserve the speed and trust that informality produced without the informality itself - which stops scaling at the 30-person mark.
- How to formalise without bureaucratising - to add structure without adding the overhead that makes the company feel like the enterprise it was trying not to become.
- How to transmit culture to new hires who will never have direct access to the founding team - and whose first experience of the company is already a mediated version of the original.
- How to recognise which informal mechanisms were actually producing value and which were just habits that nobody had examined.
- How to have the conversation with early employees - who feel the loss of the original culture most acutely - without either dismissing their concern or being paralysed by it.

5. Key Insight

Informality is not the enemy of scale. Unmanaged informality is. The companies that scale well are not the ones that replaced their informal culture with process - they are the ones whose leaders recognised what the informality was actually doing and deliberately rebuilt those functions at the new scale. The question is never: how do we add more structure? It is always: what was the informality doing that structure now needs to do instead?

> *ऋतं सत्यं च*
> *Ṛ tam satyam ca*
> Order and truth together - the foundation from which all right action flows.

6. Implications for TFK

Scaling Informality is the paper in this series that sits furthest upstream. By the time a company is experiencing tissue rejection, a frozen middle or cross-functional trust collapse, the informality transition has usually already been mismanaged.

The Culture Transmission Audit

For companies at the 20 to 40 person stage, TFK runs a Culture Transmission Audit: a structured diagnostic that identifies the informal mechanisms that are producing value - the weekly context-setting conversation, the way the founder frames decisions, the shared language the team has built - and distinguishes these from informal habits that simply exist without producing anything.

The output is a transition brief: a clear picture of which informal mechanisms need to be deliberately formalised before the next hiring wave, which can remain informal but need to be made explicit and which should simply be named and taught rather than documented and processed.

The Ritual Redesign

For companies that have already crossed the first threshold and are experiencing the symptoms of unmanaged informality, the Ritual Redesign is built on TFK's Role-Ritual-Rhythm framework. It identifies the communication rituals that need to replace corridor conversations, the decision rituals that need to replace the founder's informal presence in every room and the culture rituals that need to carry values to people who will never meet the founding team. It replaces the informal mechanisms that have already failed with deliberate equivalents - ones that produce the same outcomes at the new scale.

References

Think-it. 'Scaling Culture: How to Grow Without Losing What Makes You Great.' March 2025. https://think-it.io/insights/scaling-culture

Rafiul Alam. 'The Dunbar Number: Why Organizations Break Down After 150 People.' January 2025. https://alamrafiul.com/blogs/dunbar-number/

Andy Jassy. CEO Letter to Amazon Shareholders, 2024. Cited in: Chandsooran Substack, 'Das Boot.' https://chandsooran.substack.com/p/das-boot

Bain & Company. Excessive Complexity Costs Large Firms 15% of Annual Profits. Cited in: Chandsooran Substack, 2024.

Moedt, Kristel, Christian Lechner and Svetlana Khapova. 'Growing Pains During Scale-Up Hypergrowth.' Technological Forecasting and Social Change, Elsevier, 2024. https://ideas.repec.org/a/eee/tefoso/v209y2024ics0040162524005778.html

Innovative Human Capital. 'Scaling for Success: Organizing for Rapid Growth.' January 2025. https://www.innovativehumancapital.com/article/scaling-for-success-organizing-for-rapid-growth

IDELSoft. 'The Hidden Challenges of Scaling Tech Teams Too Quickly.' August 2025. https://idelsoft.com/author_kirill/tpost/b2jvdskfa1-the-hidden-challenges-of-scaling-tech-te

Gary Hamel and Michele Zanini. Humanocracy: Creating Organizations as Amazing as the People Inside Them. Harvard Business Review Press, 2020.