ILLUSTRATIVE DIAGNOSTIC CASE

Growth Without Economic Progress

Harborline Systems, Inc.

A fictional Series A B2B SaaS company whose revenue is still growing while the economics, repeatability, and operating quality underneath that growth are deteriorating.

ARR	$2.85M	YoY growth	31%
Employees	34	Customers	41
Primary market	U.S. industrial service companies	Case date	September 2026

The 5 Signals™ Diagnostic

Fellstead · Operated by Solten Ventures LLC

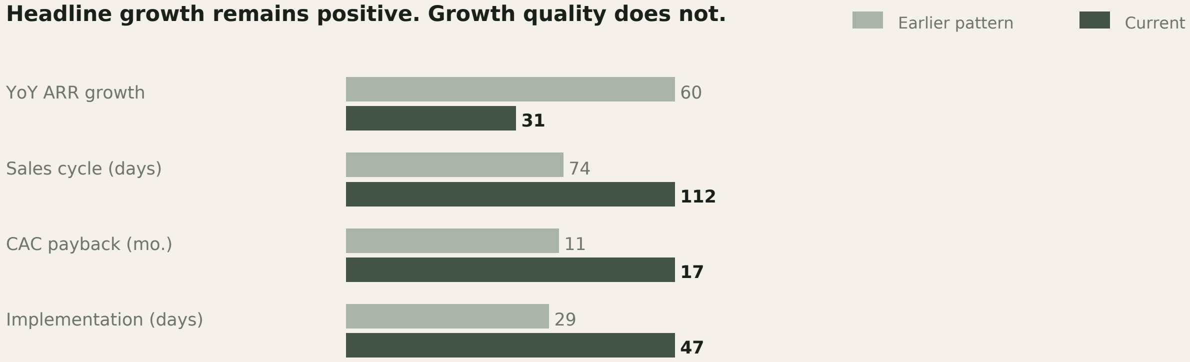
CASE CONTEXT

The company was growing. The business was getting harder to scale.

Harborline had enough positive indicators to make the situation easy to misread. ARR was up 31% year over year. The company had 41 customers, a $58k median ACV, recognizable reference accounts, and strong usage in its core workflow. A conventional dashboard could still support a growth story.

At the same time, new-logo creation had slowed, churn had risen, sales cycles had lengthened, CAC payback had deteriorated, implementation was taking longer, and customer-specific work was consuming engineering capacity. The question was not whether the company was growing. It was whether the current growth model was becoming more scalable or less.

Headline growth remains positive. Growth quality does not.



Diagnostic question: What explains the divergence between positive top-line growth and deteriorating operating quality - and which decisions should management make before trying to re-accelerate?

HOW TO READ THIS CASE

A diagnosis, not a scorecard.

The 5 Signals™ framework evaluates a company as an interconnected system. Each signal is assessed using supplied evidence, internal consistency, and the relationship between stated strategy and observed performance. The purpose is to identify causes and contradictions, not to collapse the company into one number.

Status	Interpretation
Strong	Materially coherent and supported by evidence.
Mixed	Important strengths exist, but one or more contradictions remain unresolved.
Constrained	The signal currently limits performance or increases execution risk.
Weak	Evidence indicates a fundamental problem requiring near-term intervention.

Evidence discipline

Management claims remain claims unless corroborated. Documentary evidence is weighted by recency, relevance, and whether it reflects actual behavior. Unknowns remain unknown. Confidence describes the quality and consistency of the evidence, not confidence in the company itself.

This is an illustrative case. Harborline Systems is fictional and all data, documents, interview observations, metrics, and conclusions are simulated to demonstrate Fellstead's analytical method and work product.

COMPANY SNAPSHOT

Harborline Systems at the time of review

Dimension	Observed state
Business model	B2B SaaS + implementation fees
ARR / growth	$2.85M ARR / 31% YoY growth
Customers / ACV	41 customers / $58k median ACV
Gross margin	69% blended / ~79% software-only
Concentration	Largest customer 18%; top five 53% of ARR
Runway	~15 months at current burn
Claimed ICP	Industrial field-service companies, $10M-$250M revenue
Observed strongest segment	Commercial HVAC / mechanical service, $10M-$75M revenue

Five-signal view

VISION	MIXED
VALUE	STRONG
MARKET	CONSTRAINED
SYSTEM	CONSTRAINED
MOMENTUM	MIXED

The pattern matters more than any individual status. Value is strong. The company has something customers care about. The constraint appears when that value is carried through an overly broad market thesis and a delivery system that is becoming less repeatable.

EXECUTIVE DIAGNOSIS

Harborline does not have a product problem. It has a focus and operating-model problem.

The company has built credible value in a narrow workflow: moving inbound service demand into priced, scheduled jobs for commercial field-service businesses. The evidence does not yet support the broader thesis Harborline is operating against - a multi-module enterprise platform across a wide industrial market.

The strongest customer outcomes, fastest implementations, and clearest buying logic are concentrated in one segment and one workflow. Yet sales, product, and planning are optimized for breadth: multiple modules, adjacent verticals, larger accounts, and customer-specific commitments.

Root-cause chain

Broad platform ambition	**Wide ICP +** large deals	**Custom** implementation	**Longer sales +** hidden delivery cost	**Lower quality** of growth

The observed symptoms are not independent. Most trace back to expanding scope before repeatability is established.

Core conclusion: Harborline is trying to scale a broad company before it has fully proven a narrow one. The most credible near-term path is to concentrate the company around the workflow where value, market pull, economics, and product evidence already align.

KEY FINDINGS

Eight findings explain most of the performance pattern.

01 / The company is selling a platform before it has proven a wedge.

Customer evidence is strongest around quote-to-scheduled-job conversion, while the commercial narrative leads with a broad operating platform.

02 / The ICP is defined by category, not operating conditions.

Companies with very different procurement, systems, workflow complexity, and implementation burden are treated as one market.

03 / Large contracts are producing misleading signals.

High ACV validates willingness to pay, but not scalable acquisition or delivery when wins require founder involvement and custom work.

04 / Services effort is hidden inside software economics.

Implementation labor is distributed across engineering, customer success, and product, obscuring the real cost of growth.

05 / Pipeline quantity is measured more carefully than pipeline quality.

Coverage remains above 3x target while late-stage conversion and sales-cycle duration worsen.

06 / Customer concentration is shaping the roadmap.

The two largest customers represent 29% of ARR and exert disproportionate influence on product priorities.

07 / Strategy and resource allocation do not match.

Management says 'move upmarket' while the strongest repeatability is in smaller mid-market accounts.

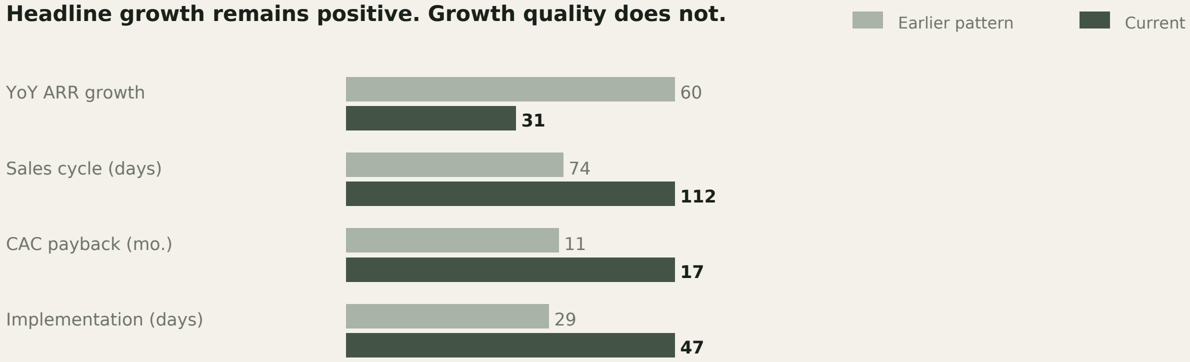
08 / Momentum is still positive, but its quality has changed.

ARR and usage rise while churn, payback, implementation time, and new-logo pace move in the wrong direction.

PERFORMANCE EVIDENCE

Growth is continuing, but the pattern underneath it is weakening.

Headline growth remains positive. Growth quality does not.



ARR concentration

Top 5 customers = 53% of ARR

Concentration is not only a financing risk: large-account retention pressure is shaping roadmap decisions.

No single metric proves the diagnosis. The concern is the simultaneous direction of multiple indicators: slower acquisition, longer sales cycles, higher payback, longer implementation, higher churn, and increasing delivery effort. Together they indicate that each additional dollar of ARR is becoming harder to produce and support.

CROSS-SIGNAL ANALYSIS

The important problems sit between the signals.

Signals	Contradiction	Why it matters
Vision ↔ Value	Vision says 'operating platform.' Customer evidence says the urgent purchase is quote-to-job conversion.	The narrative is broader than the proven value proposition.
Vision ↔ Market	The company intends to move upmarket, but repeatable wins occur below the enterprise target.	ACV aspiration is outrunning demonstrated segment economics.
Value ↔ System	Customers value speed to value; delivery relies on custom implementation.	The system undermines the product's own value promise.
Market ↔ Momentum	TAM and pipeline look healthy while qualified conversion and sales-cycle efficiency decline.	Market size is not the constraint; precision and buying friction are.
System ↔ Momentum	Engineering and CS capacity increasingly support custom commitments.	Growth consumes internal capacity and lowers product velocity.
Vision ↔ Momentum	Planning assumes 50%+ growth while observed growth is closer to low-30%.	Operating assumptions are more aggressive than current evidence supports.

Root-cause pattern: Harborline is not facing six unrelated problems. Most observed issues trace back to one structural choice: expanding scope before repeatability is fully established. Narrowing the operating thesis would address several downstream symptoms at once.

SIGNAL 01 / VISION

Mixed: coherent ambition, insufficiently constrained strategy.

Management describes Harborline as 'the operating system for industrial service businesses.' The ambition is coherent. The problem is that the strategy does not define what must be true before the company expands from a wedge into a platform.

What appears strong

Founder intent is consistent. Domain knowledge is real. The long-term platform path is plausible if a repeatable beachhead is established first.

What constrains the signal

There is no sequencing rule for new modules or segments. The plan simultaneously asks the company to move upmarket, expand modules, improve margins, reduce implementation time, enter adjacent verticals, and prepare for financing. Non-goals are absent, so commercial exceptions become de facto strategy.

Diagnosis

Vision is not weak; it is under-constrained. The missing artifact is a sequencing thesis: what the company must prove in the beachhead before broadening market or product scope.

Decision implication

Define the next 12-18 months as winning and systematizing quote-to-scheduled-job in commercial HVAC / mechanical service. Create explicit expansion gates and a short non-goals list.

SIGNAL 02 / VALUE

Strong: the clearest signal is being obscured by breadth.

Harborline performs best when it reduces the time and coordination required to move an inbound opportunity from request to priced, scheduled job. Customers describe fewer handoffs, faster quote turnaround, better visibility, and less administrative rework.

Evidence	Simulated observation	Interpretation
Customer interviews	5 of 6 spontaneously cite faster quote turnaround as the primary benefit.	Strong proof of salience
Usage	Highest weekly activity is concentrated in intake, quoting, and scheduling.	Behavior supports stated value
Case A	Median quote cycle falls from 3.8 days to 1.6 days.	Compelling, single-account evidence
Case B	Admin headcount avoided during 22% service-volume growth.	Strong economic story; attribution still needs testing
Renewal notes	Full quote-workflow adoption correlates with stronger retention.	High-value correlation

Diagnosis

Harborline already has a credible wedge. Broadening the story before the wedge is systematized is reducing perceived value rather than increasing it. The company should center one operational outcome and define the first 30 days of measurable value.

SIGNAL 03 / MARKET

Constrained: the company is treating a category as an ICP.

The stated market - industrial field-service companies with $10M-$250M revenue - is large, but too broad to guide sales, product, or implementation decisions. Companies inside that range differ materially in branch structure, procurement maturity, existing systems, dispatch complexity, and willingness to standardize workflows.

Best-fit dimension	Observed profile
Vertical	Commercial HVAC / mechanical service
Revenue	$10M-$75M
Locations	2-12 branches
Primary buyer	VP Operations / COO
Economic pain	Quote delay, coordination burden, inconsistent branch workflow
Existing stack	Accounting/ERP + field service + spreadsheets/email
Sales cycle	~60-100 days in best-fit cases
Implementation	Repeatable with limited workflow customization

Diagnosis

The company does not need a larger market thesis. It needs a more selective one. Re-score the last 24 months of opportunities by operating profile and compare win rate, sales cycle, implementation hours, ACV, retention, and payback by segment.

SIGNAL 04 / SYSTEM

Constrained: delivery mechanics are limiting scale.

Area	Observed condition	Effect
Implementation	Median duration rose from ~29 to ~47 days.	Delays revenue realization and customer value.
Engineering	~27% of recent sprint capacity tied to customer-specific commitments or integration support.	Reduces roadmap throughput.
Customer success	CSMs coordinate configuration outside a standardized implementation playbook.	Creates variable delivery cost.
Gross margin	69% blended, but internal implementation labor is not fully separated.	Economic scalability is difficult to assess.
Decision rights	Founder remains involved in large-deal scoping and roadmap exceptions.	Creates key-person dependency and slower decisions.

The implementation trap

Large contracts can increase ARR quickly while making the company less repeatable. If each account introduces special integrations, workflow exceptions, or roadmap commitments, the business can drift toward bespoke software-and-services while still describing itself as scalable SaaS.

Critical test: Can Harborline deploy the core product to a new best-fit customer using materially the same implementation method and product surface - without founder intervention or engineering exceptions? The evidence says: not consistently.

SIGNAL 05 / MOMENTUM

Mixed: positive headline growth, declining growth quality.

Metric	Earlier pattern	Current pattern	Interpretation
YoY ARR growth	~60%+	31%	Positive, materially compressed
New logos / quarter	7-8	5	Acquisition pace slowing
Logo churn / quarter	~1	3	Retention pressure rising
Median sales cycle	~74 days	~112 days	Commercial friction rising
CAC payback	~11 months	~17 months	Acquisition efficiency deteriorating
Implementation time	~29 days	~47 days	Time-to-value worsening
Expansion revenue	Growing	Flat	Platform thesis not yet visible in expansion

Diagnosis

The next two quarters should be treated as a quality-of-growth reset, not a race to restore the old growth rate. If segment focus improves conversion, implementation burden, retention, and payback, headline growth can re-accelerate on a healthier base.

INTEGRATED PRIORITIES

What to do now, next, and later.

Priority	Timing	Success evidence
Commit to one beachhead operating thesis	0-2 weeks	One ICP definition used across product, sales, success, and planning.
Rebuild qualification around best-fit operating conditions	0-30 days	Higher qualified win rate; fewer low-fit late-stage deals.
Standardize implementation boundary	0-45 days	Lower variance; fewer engineering exceptions.
Reposition narrative around the wedge	0-45 days	Shorter explanation cycle; better first-meeting conversion.
Restate customer economics by segment	0-60 days	ACV, GM, payback, implementation cost, retention visible by segment.
Reduce roadmap capture by concentrated customers	0-60 days	More roadmap capacity tied to reusable segment needs.
Create expansion gates	0-90 days	New module / vertical decisions tied to proof thresholds.

What not to do

Do not respond to slowing growth by adding more verticals. Do not treat enterprise ACV as proof of a working upmarket motion if delivery cost is excluded. Do not launch more modules as acquisition hooks before the wedge is repeatable. Do not treat 3x pipeline coverage as reassuring without examining conversion, age, and fit.

90-DAY VALIDATION PLAN

Convert the diagnosis into falsifiable operating tests.

The purpose is not to 'implement the report.' It is to test whether the diagnostic thesis is correct. Each action should produce evidence that strengthens or weakens the recommended direction.

Days	Test	Action	Decision rule
0-30	Beachhead economics	Reclassify customers and 24 months of opportunities by operating profile.	Proceed if best-fit segment shows better win rate, delivery burden, retention and/or payback.
0-30	Value concentration	Review usage and interviews for the first workflow tied to measurable value.	Proceed if quote-to-job remains dominant across behavior and customer language.
15-45	Qualification discipline	Apply stricter ICP rules; track disqualified pipeline separately.	Proceed if qualified conversion improves without unacceptable pipeline starvation.
15-60	Implementation standardization	Run best-fit accounts through a standard implementation boundary.	Proceed if time-to-value and engineering exceptions decline.
30-75	Positioning test	Use one wedge-led message across outbound, site, and discovery.	Proceed if meeting-to-qualified conversion and message recall improve.
45-90	Expansion logic	Define proof gates before new module or vertical approval.	Proceed if roadmap decisions become less account-driven.

Review cadence: weekly for qualified pipeline, sales-cycle age, implementation exceptions, and time-to-value; monthly for segment economics, churn reasons, product usage concentration, and roadmap allocation; formal thesis review at days 45 and 90.

METRICS THAT MATTER NEXT

Replace aggregate reassurance with decision-relevant measures.

Metric	Decision it informs
Qualified win rate by segment	Is the selected beachhead actually easier to sell to?
Median sales cycle by segment	Does focus reduce buying friction?
Implementation hours by account/function	Is delivery becoming repeatable?
Time to first measurable value	Does the customer experience the promised outcome quickly?
Engineering exception rate	Is growth creating bespoke product debt?
Gross retention by segment	Does fit predict durability?
CAC payback by segment	Do acquisition economics support scale?
Expansion after core workflow adoption	Is the platform thesis emerging from the wedge?
Roadmap capacity tied to reusable needs	Is product direction becoming strategic rather than account-driven?
Top-5 ARR concentration	Is concentration risk improving or worsening?

Harborline does not need a larger dashboard. It needs a smaller set of measures tied directly to strategic questions. A metric belongs here only if it can change a decision.

DECISION WATCHLIST

Preserve the reasoning, not only the decision.

Decision	Trigger to revisit	Evidence to inspect
Move further upmarket	Best-fit mid-market economics materially underperform enterprise after full delivery cost.	Sales cycle, implementation hours, margin, retention, expansion.
Build more modules	Core workflow reaches predefined activation, retention, and repeatability thresholds.	Core adoption, time-to-value, expansion pull, roadmap capacity.
Enter adjacent verticals	Beachhead shows saturation or adjacent demand appears without materially different delivery requirements.	Win rate, beachhead TAM, implementation variance.
Raise next institutional round	Growth quality improves and the scaling mechanism is credible.	Net new ARR, payback, churn, implementation burden, concentration.
Accept strategic customization	Capability is reusable or explicitly priced for its economic cost.	Engineering effort, reusability, contract economics, roadmap cost.

A decision that was rational six months ago can become wrong as the company changes. The highest-value form of company memory is not remembering what management decided; it is remembering why, and under what conditions the decision should be revisited.

EVIDENCE AND CONFIDENCE

What the diagnosis is based on.

Source	Diagnostic use	Confidence
Leadership questionnaire	Strategy, market, system, momentum; primary management claims.	High
Pitch deck	Compare external narrative with internal evidence.	Medium
KPI snapshot	ARR, churn, sales cycle, usage; growth-quality analysis.	High
P&L; summary	Margin, burn, runway; economic analysis.	Medium-High
Product roadmap	Product priorities and commitments; Vision-System coherence.	High
6 customer interview summaries	Value, adoption, buying behavior.	Medium-High
Pipeline export	Conversion, age, segment; Market-Momentum analysis.	High
Implementation tracker	Duration, exceptions, ownership; scalability analysis.	High

Important unknowns

Net revenue retention by cohort is not fully reconciled. Implementation labor is not consistently time-tracked across functions. Lost-deal reasons may contain salesperson attribution bias. Customer interview evidence is stronger for retained than churned accounts. Beachhead market size has not been independently validated.

Overall diagnostic confidence: Medium-High. The cross-signal pattern is supported by multiple independent evidence types. Several economic conclusions should be re-tested once implementation labor and cohort retention are reconciled.

SCENARIO ANALYSIS

Three plausible paths from the current position.

Scenario	What changes	Near-term effect	Primary risk
A · Continue broad expansion	Enterprise + adjacent verticals + multiple modules concurrently.	Potential large wins and higher nominal ACV.	Longer sales cycles, customization, burn, lower product velocity.
B · Focused beachhead reset	Concentrate on strongest segment/workflow; standardize delivery.	Possibly lower headline pipeline, but better conversion, retention, repeatability.	Management may interpret narrowing as loss of ambition.
C · Services-assisted enterprise	Lean into customization and charge explicitly for implementation/services.	Can improve complex-account economics.	Changes the business model and scalability narrative.

Fellstead view

Scenario B is the most internally coherent with the evidence in this simulated case. Scenario C may become rational if enterprise demand proves durable and the company explicitly accepts a different economic model. Scenario A preserves the contradictions already visible across Vision, Market, System, and Momentum.

The recommendation remains a testable hypothesis. If reconciled segment economics show that enterprise customers produce superior retention and margin after full implementation cost, or if the narrow workflow does not predict stronger retention and repeatability, the beachhead thesis should be revised.

BOARD / LEADERSHIP SUMMARY

If only one page is used internally, use this one.

Current state

Harborline has real product value and a credible long-term platform opportunity. The company is not failing. It is experiencing the consequences of broadening scope faster than repeatability has developed.

Decision for the next two quarters

Operate the company as a focused workflow business with platform optionality, rather than as a broad platform that still depends on customer-specific execution.

Three commitments

1. One beachhead ICP used across sales, product, implementation, and planning.
2. One primary value proposition centered on quote-to-scheduled-job conversion.
3. One economic model that makes customer-specific delivery effort visible before growth decisions are made.

Three measures that the reset is working

Qualified win rate rises while sales-cycle duration falls. Implementation time and engineering exceptions decline. Retention and CAC payback improve in the selected segment.

What would change the recommendation

Superior enterprise economics after full delivery cost, or evidence that the narrow workflow does not predict stronger retention and repeatability.

NEXT VALIDATION QUESTIONS

Questions management should be able to answer after the next operating cycle.

01. Which customer operating profile has the best combined win rate, implementation burden, retention, and payback - not simply the highest ACV?

02. What percentage of new customers can reach first measurable value without engineering involvement?

03. Which workflow is most predictive of renewal and expansion?

04. How much engineering capacity is consumed by commitments that are not reusable across the target segment?

05. If Harborline stopped pursuing accounts above $75M revenue for one quarter, what would actually be lost?

06. What evidence would prove the company has earned the right to expand beyond the beachhead?

07. How much churn is a product problem versus a customer-fit problem?

08. Which customer requests are shaping the roadmap primarily because of concentration risk?

09. What growth rate is achievable without assuming conversion, retention, and implementation all improve simultaneously?

10. What would management choose not to do for six months if focus were treated as a strategic asset?

THE 5 SIGNALS™

The framework behind the diagnosis.

Signal	Core question	Typical coverage
Vision	What is the company trying to become, and what choices define the path?	Purpose, strategy, priorities, trade-offs, assumptions, sequencing.
Value	Why should a customer care, pay, adopt, and remain?	Problem, buyer, proposition, pricing, differentiation, proof, retention logic.
Market	Where does the company compete, and what external conditions shape demand?	ICP, segmentation, competition, buying process, channels, timing.
System	How does the business actually work?	Business model, economics, team, product, operations, processes, scalability.
Momentum	What does the evidence say is happening over time?	Traction, revenue, growth, retention, pipeline, conversion, learning.

Method principle

A weak metric is not automatically a root cause. Fellstead looks for the relationship between observed outcomes and the strategic, market, value, and operating conditions that produce them.

Case note and limitations

This document is a fictional case created to demonstrate the format and analytical depth of a Fellstead diagnostic. Harborline Systems, Inc. is not a real client. All names, figures, interview observations, financial metrics, operating details, and conclusions are simulated. A real diagnostic is based on information supplied by the client and supporting materials made available for review. Fellstead diagnostics are analytical products, not legal, tax, accounting, investment, audit, valuation, or other regulated professional advice, and they do not guarantee business outcomes.

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