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Common pitfalls startups make when hiring and how to avoid them

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Introduction

By the time CEOs have closed a successful financing round and are ready to scale, so much work has already been completed in developing the technology, product, or value proposition for the company.

Having gone through the challenging process of identifying and convincing investors to partner with their company, the next consideration for CEOs is the size of the market they're aiming to address, and beginning the commercialisation process. Up until this point, companies will most likely have comprised of small teams, often bootstrapped and derived from the Founder's personal network, where the individuals are tried and trusted.

CEOs and Founders of early stage companies have a tendency to underestimate the challenge and impact of mishiring. In reality, making the wrong hire can cost up to ten times the annual compensation of an individual, and cause landmark delays in hitting milestones. Hiring the right people is critical for the successful growth of the organisation.

In this guide, we'll take you through the common pitfalls early stage CEOs make when hiring new talent, and we'll give you the framework so you can avoid falling into these traps.

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The 7 major pitfalls

1 Prioritising hiring effectively

CEO's are managing a huge range of different priorities at once, ranging from investor relations to commercialization. Hiring requires a significant investment in time to achieve a successful outcome, particularly when recruiting into a key position.

When the hiring manager looks to delegate ownership of the process, this leads to confusion and invariably a disappointing outcome. If the time is not invested upfront on shaping and executing a defined talent strategy, assessing and engaging the best talent for your company will become significantly more challenging.

3 Assessing key competencies

Being too prescriptive about specific technical and product skills is a common pitfall amongst early stage CEOs. Companies will often be too narrow around these elements, ignoring or failing to properly consider the potential of the individual to grow, as well as their leadership capabilities

Where specific experience is required, one can always bring it in - even at a freelance level. Hiring failure comes when CEOs hire for specific experience, and miss the leadership and management fit with the business.

2 Defining the key success criteria

In early stage companies, CEOs are often recruiting into a position they've never dealt with before. In these situations, there is a tendency to overlook what success will look like in the role - what the performance goals will be six months, one year, three years in - and there's rarely a framework created for measuring this success.

Often, CEOs will be aspirational about creating the position, with many job descriptions including a wishlist of desired skills. Many job briefs outline the background of the ideal individual, and give a vague description of what the successful applicant will be responsible for.

If you are not clear on what success looks like, hiring and assessing the correct person becomes significantly more difficult. Failure to define and document key performance objectives inevitably results in ambiguity between the CEO, Management Team, and the Board. This lack of coordination does not lead to positive hiring outcomes.

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The 7 major pitfalls

4 Assessing a candidate's cultural fit

When scaling and commercializing, there is a need to bring in industry expertise. In doing so, a challenge emerges in identifying individuals that can make the transition from the corporate world to startup culture.

There's a huge difference between working for an established company, where access to funding and resources is not an issue, and working for a smaller company in a resource-light environment. Decisions tend to happen faster at startups, and there's significantly more ambiguity.

Yet CEOs often prioritise experience above cultural fit. They will look at a candidate's background and assume they know certain things or will be able to adapt to the environment. In doing so, they fail to consider their values, behaviours, and preferred ways of working.

5 Structuring an effective interview process

Some early stage companies pride themselves on being disorganised, as this allows them to be flexible, adaptable, and ride out whatever evolution needs to happen for success.

However, this lack of structure can leak into the interview process - and hiring needs organisation in order to have consistency.

We'll often see CEOs task a number of their employees with interviewing different candidates from the shortlist. Yet they won't give them any direction in terms of the subject matter of the interview or what information they need to acquire from the candidate.

When the team does not work in a coordinated and strategic fashion, the interviews are not consistent, and the CEO can never be sure the hire is the best fit from the shortlist.

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The 7 major pitfalls

6 Engaging with candidates

Poor engagement with candidates throughout the hiring process leads to hiring failure.

Interviews can be a lengthy learning process between the candidate and the company. It is challenging to keep candidates engaged and excited throughout, and easy for candidates to lose interest or accept another role if there is a lack of clear and consistent feedback.

There is a tendency to neglect candidates with whom you have engaged, but who are no longer of interest. This reflects badly on the company and the way it communicates to potential candidates.

7 Compensation considerations

Although CEOs are looking for people who want to join their mission and be part of the growth of the company, there is sometimes a misalignment with how important financial compensation is as a part of a candidate's decision making process.

The challenge of mastering offer management is in truly understanding what the individual's needs are, and what motivates them. Some people already have a level of financial security and will be prepared to accept more equity, but others won't be able to accept the job without a competitive salary offer.

CEOs that under-budget positions cannot expect to bring the best talent on board.

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4-Part framework for scaling up successfully

Achieving success in hiring the right team involves extensive consideration across the following 4 areas:

Discovery   Research   Evaluate   Hire

The first step of any hiring process is to define your recruitment strategy. Is this a role that you are going to hire directly or are you looking to engage with a search partner for the position?

In order to come to a decision on this consider the following questions.

> **Do you have the time, the resources, and the network to manage this process internally?**

> **How essential is this position for the future growth of the organisation and its impact on shareholder value?**

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Discovery

Understanding your hiring needs

Through the creation of a robust job brief, agreed on by key stakeholders, CEOs can achieve a higher level of assessment accuracy and ensure a successful hiring outcome.

Begin by defining the functional responsibilities for the role; what exactly this person would be doing on a day-to-day basis. Include information around the overall people and budget responsibilities.

When it comes to experience, consider the top ¾ key essentials that this individual will have to have in order to be successful. Focus on non-negotiables as opposed to a wishlist of experiences. This will give you access to a bigger pool of candidates and increase the chances of a successful outcome.

Defining success within the position

Consider the key competences the individual will need to have. In an early stage, fast-growing environment, competence around people management, leadership, and recruiting are key - in addition to experience. Key competences could include learning agility, adaptability, and critical problem solving.

Prioritise and define four key performance objectives which the individual will be assessed on over the course of their first year.

Ensure these are SMART objectives. Break them down into critical tasks that will need to be achieved along the way in order to reach the organisation's milestones.

Create a clear brief to take to market

Coordinate input from all key stakeholders including the Management Team, Board of Directors, and Investors, to ensure alignment before starting the hiring process.

Define your employee value proposition. Ensure that the brief engages with potential candidates and accurately portrays the company's journey to date, as well as your vision and mission.

Before engaging with candidates, have a clear idea of the compensation range and the budget you can offer for the position. Communicating this when first engaging with candidates will help manage expectations and avoid any issues around compensation at a later stage of the process.

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Research

Scope and map out relevant competitors in your market

Finding great candidates is challenging and requires dedication and focus. Approach executive hiring as if there is a talent scarcity. You cannot guarantee the right candidate is going to find you.

To optimise your chances of success, take a proactive approach. Engage with your own and your team's personal networks, and seek out people who have worked for your competitors and other target companies you would want to recruit from.

Create a robust list of target candidates

Having as much choice as possible is paramount. Fostering depth and variety within a shortlist will provide you with alternative options and allow for the best comparison of candidates.

Establish a list of 30 to 50 target profiles to engage with, and use this as an opportunity to find candidates and generate referrals.

THE HIRING FUNNEL

Successful candidate hire

4 shortlisted candidates for company interview

8 qualification calls

15 introductory conversations

30 / 50 candidates on the longlist

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Evalution

Create the interview structure and process

Define an organised process and establish who will be involved in the assessments. Ensure you know which stakeholders will ultimately need to meet the candidate before a decision can be made. Define timelines and make sure of availabilities, so the process does not drag on.

Define what each interviewer will be assessing to avoid repetition. Know who your technical, competence, and organisational fit interviewers are.

During the interview process, assess candidates' ability to execute the objectives defined in the brief. The purpose of the interviews is to gain an understanding into how strong the candidates are across the key competencies you have outlined.

A key consideration is evaluating whether the candidate is the right cultural fit for your business.

⊘ **How motivated are they about the mission you are on?**

⊘ **What are their core values and do they align with yours?**

⊘ **How adaptable can they be to your specific working environment?**

In addition, use as many data points as possible. These can include psychometric tests and formal and informal references. Use the data to dig deeper into questions that arise in the interview, and to alleviate or confirm any concerns you have.

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Evalution

Communicate with the candidate outside of the interview process and give feedback after every stage in order to keep candidates engaged and interested throughout the process.

It is vital to understand candidates' expectations around compensation during the evaluation stage. This should be addressed at an early stage in the interview process to ensure budget alignment.

Interviews

- ⊘ **Is your team already trained in interviewing?**

- ⊘ **If not, provide training and coaching ahead of the interviews**

- ⊘ **Lumina learning is a strong option for understanding traits & behaviours.**

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Hiring

Selecting the preferred candidate

Who is responsible for hiring decisions?

Is it the hiring manager, or is it a team decision?

Does the Board need to sign off?

Bring all the interviewers together to work through feedback. Ask interviewers to write up their feedback to be as prescriptive as possible, relating it back to the requirements defined in the brief.

At this stage you will look to reach a decision on the preferred candidate and move to the offer stage.
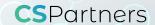
Offer management

However, you may have candidates you want to keep warm whilst pursuing your preferred choice - and speed is of the essence when closing out on a hire. Strong candidates do not stay around forever and may well also be assessing other options.

You should have a clear idea of what the candidate is expecting from an offer to join the company. By making your best offer, you demonstrate to the candidate how much you value them and want them to join your organization. This avoids unnecessary negotiation games that cause delays.

Make it clear you are looking for a quick response and give them a deadline for making a decision.

Following initial verbal acceptance of the offer, follow up with the paperwork. Ensure you receive a signed copy back, remaining in contact with the candidate throughout this key process .

Guide the candidate through the resignation process and be aware of any counter-offers that may come up as a result of this.

Hiring

Onboarding support

It is vital, during the onboarding period, that your chosen candidate remains excited about the opportunity, and committed to working for your company.

Have a specific communication plan on how the hire will be announced to the rest of the company.

Have a defined plan around who the new employee should meet in the first 30 days.

Choose a mentor to help guide them into their role and integrate with the team.

Ensure the hiring manager determines specific follow up points to share feedback around performance and milestone objectives.

Ultimately the team you build will shape the culture of your company. Mistakes will happen and there will be unexpected hurdles and challenges throughout any hiring process. Finding the best possible candidates will take time, investment, and a clear vision of what you are looking for.

CS Partners connects talent for a healthier world. We work with mission driven organizations disrupting markets across the Agri-Food Technology and Life Science technology segments. For further advice or questions reach out to us at or call us on:

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