



Investigating CEO Hiring Leadership:
*Best Practices That Drive Startups to
Growth Stage Results*

Welcome

A key priority for a start-up CEO is defining a culture that aligns with the mission. Recruiting and developing the people who will execute on that mission often defines success or failure for a new company. Establishing “cultural DNA” from the beginning and hiring a leadership team is a huge challenge, and yet it is one where many CEO’s rely on “gut instinct” and “I know a guy” strategies for some of the most important decisions they make.

As companies scale, a “bad hire” can have a devastating impact on value creation and growth. Urgency and velocity leads to an emotion-driven tendency to hire known quantities, when having the discipline to create clearly defined, objectively developed roles, and using a well-structured evaluation and decision process would lead to much better outcomes.

Employer branding is also an element that defines success or failure. Based on the global leadership survey that we conduct every year, we know that leadership talent is the number one challenge for CEO’s, even at well-established companies. Communicating a vivid and compelling story is essential to recruiting leaders to an early-stage company – these leaders always have options.

Finally, timing is key. Identifying *when* to hire is as important to an early-stage company as *who* to hire. Our research indicates leader turnover rates of 50-60% in early stage hiring, especially when there is a lack of clarity and alignment on objectives, priorities and resources available to the new leader.

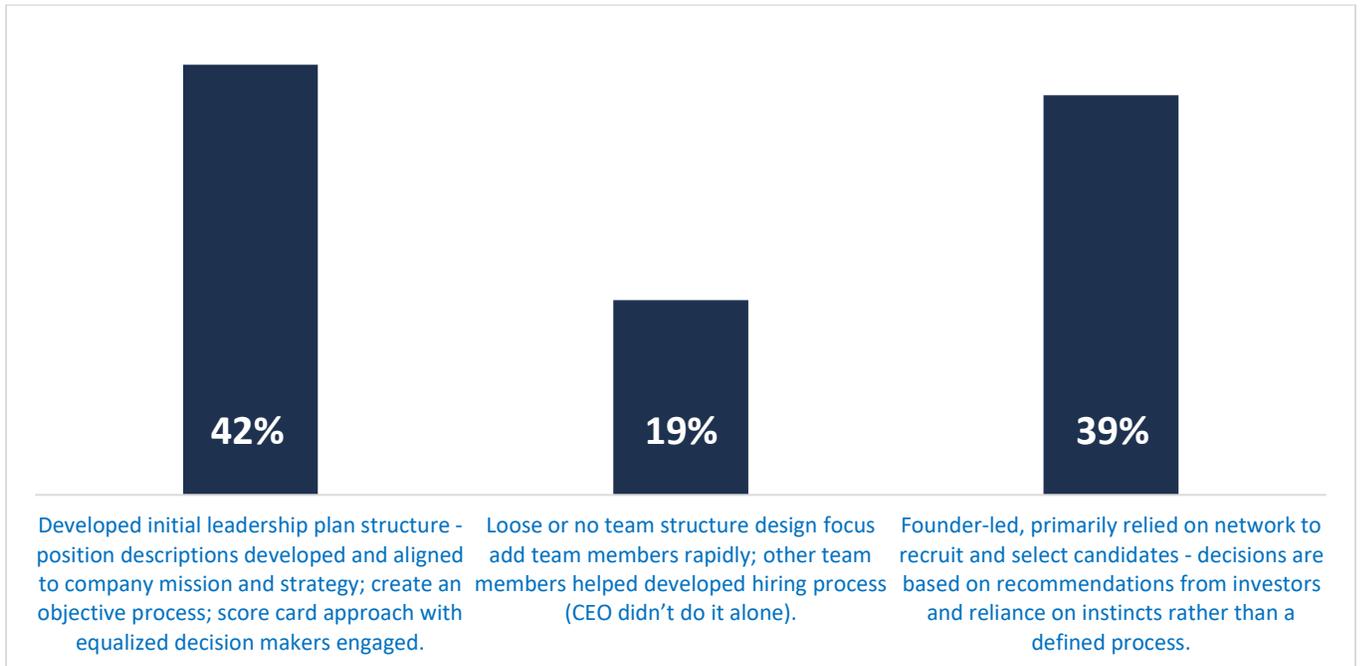
To help us gain further insight into these issues, we surveyed more than 300 early-stage CEO’s, with the goal of understanding their decision processes and best practices. We found their responses interesting and particularly helpful when advising early stage companies on their executive hiring strategies. We hope you find these results helpful too. Our most effective early-stage companies expressed 5 consistent themes in support of their ability to attract and retain great leadership talent:

1. Thoroughly develop and implement business plans.
2. Define and sequence leadership additions based on need and Go to Market Strategy.
3. Over-communicate, strive for consistency, but be very transparent about directional changes and their rationale.
4. Adopt a style of inclusion in problem solving and decision-making – not democracy, but truly democratic leadership.
5. Create an environment of accountability.

The Results

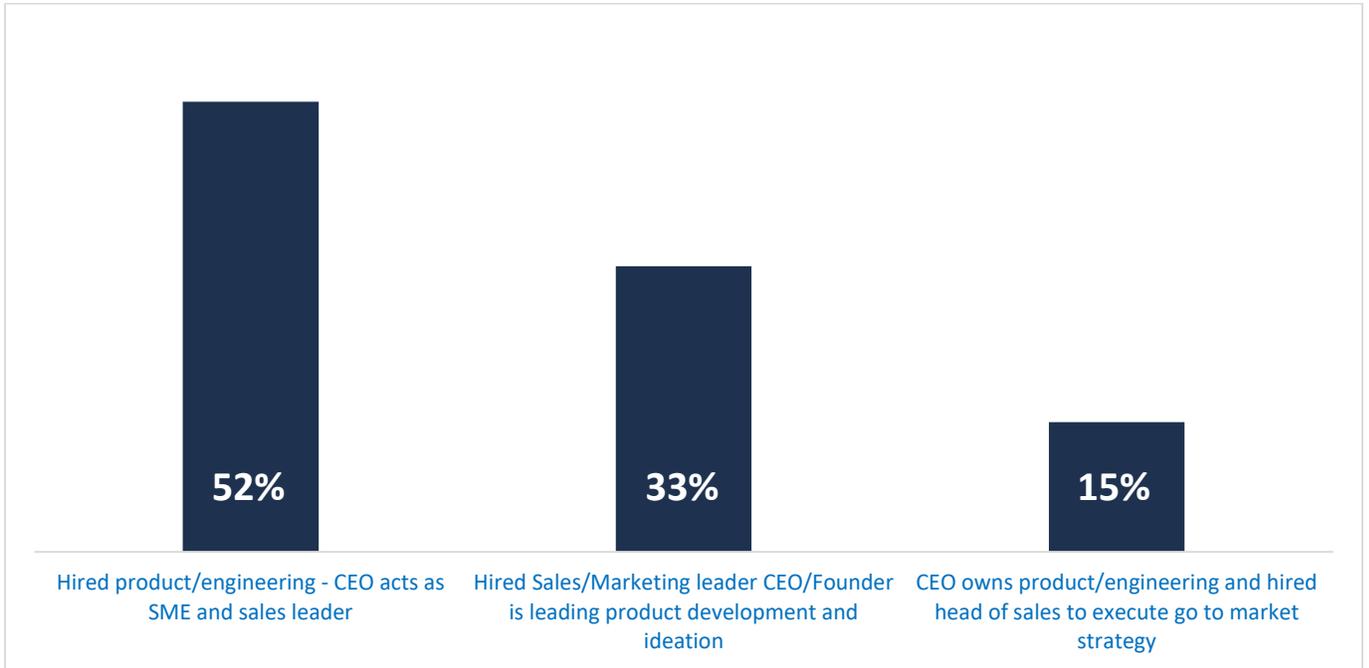
1. What approach to the hiring process of your leadership team enabled your success?

The majority of companies we surveyed were about evenly split on the question of how to best approach the leadership hiring process. Two strategies were most prevalent – a systematic, objective approach to building out the team (42%) and a more qualitative, founder-led, personal network-based approach.



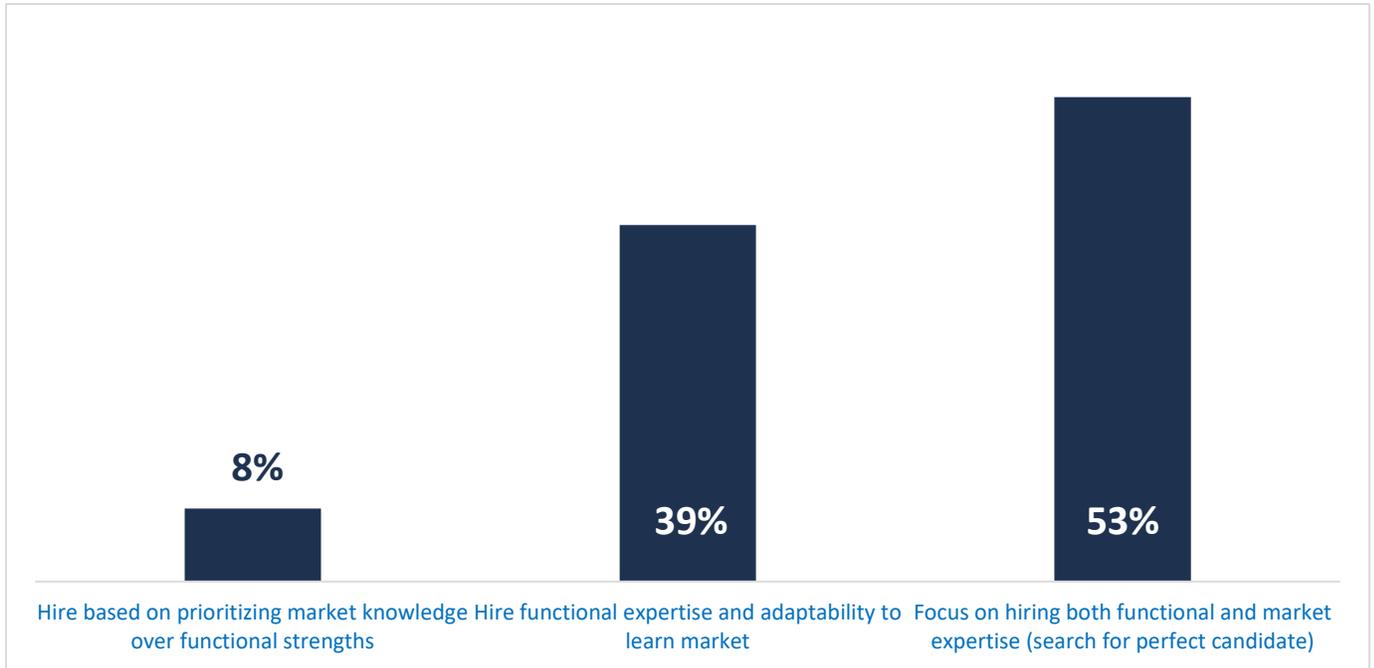
2. How did you prioritize your hires- who came first, second, etc. as you put the team together?

More than half of our respondents focused on hiring product/engineering talent first, with the CEO serving as the subject matter expert/sales leader. Only 15% of our respondents were led by product/engineering focused CEO's who prioritized their executive hiring around sales and marketing talent.



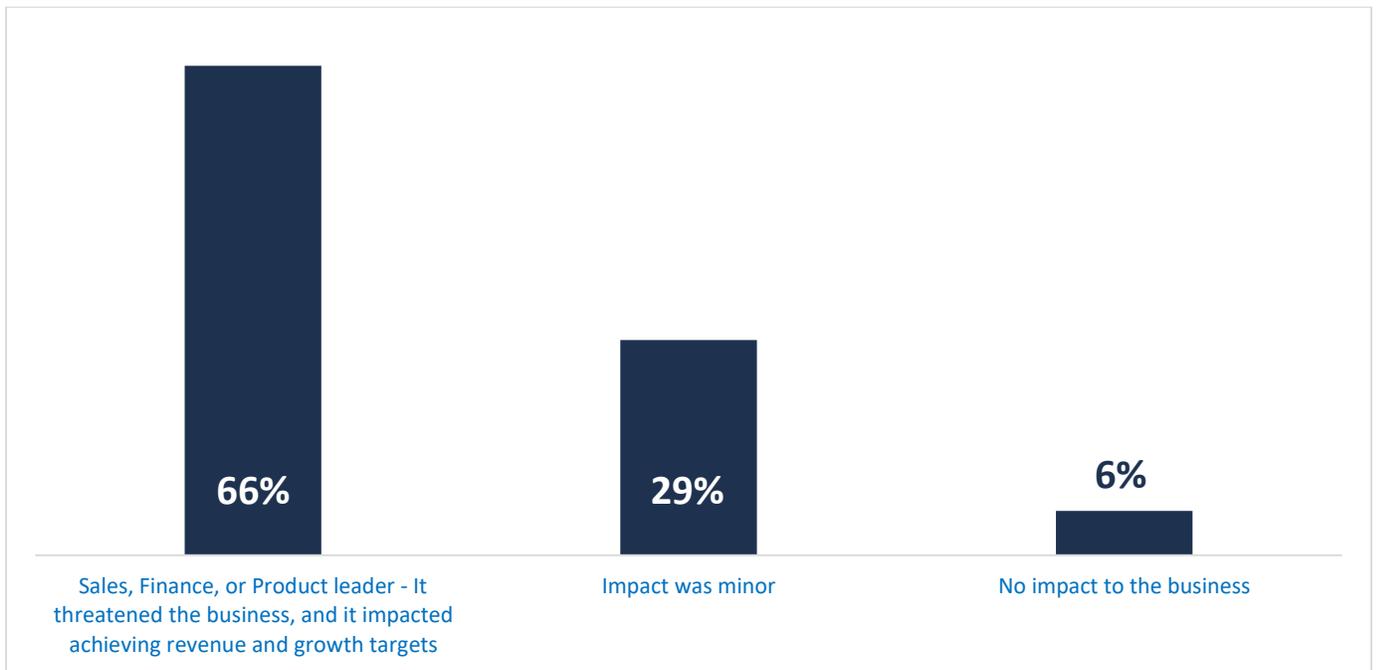
3. What competencies do you look for most?

Almost 40% of our CEO respondents tend to rely on gut instinct when they hire leaders, and a big reason for that seems to be that they want it all. Rather than systematically weighing the pros and cons of different strength patterns, more than half try to focus on hiring leaders with *both* functional (product/engineering) and marketing expertise. This is a rare combination and often not the optimal approach to building teams with complementary skillsets.



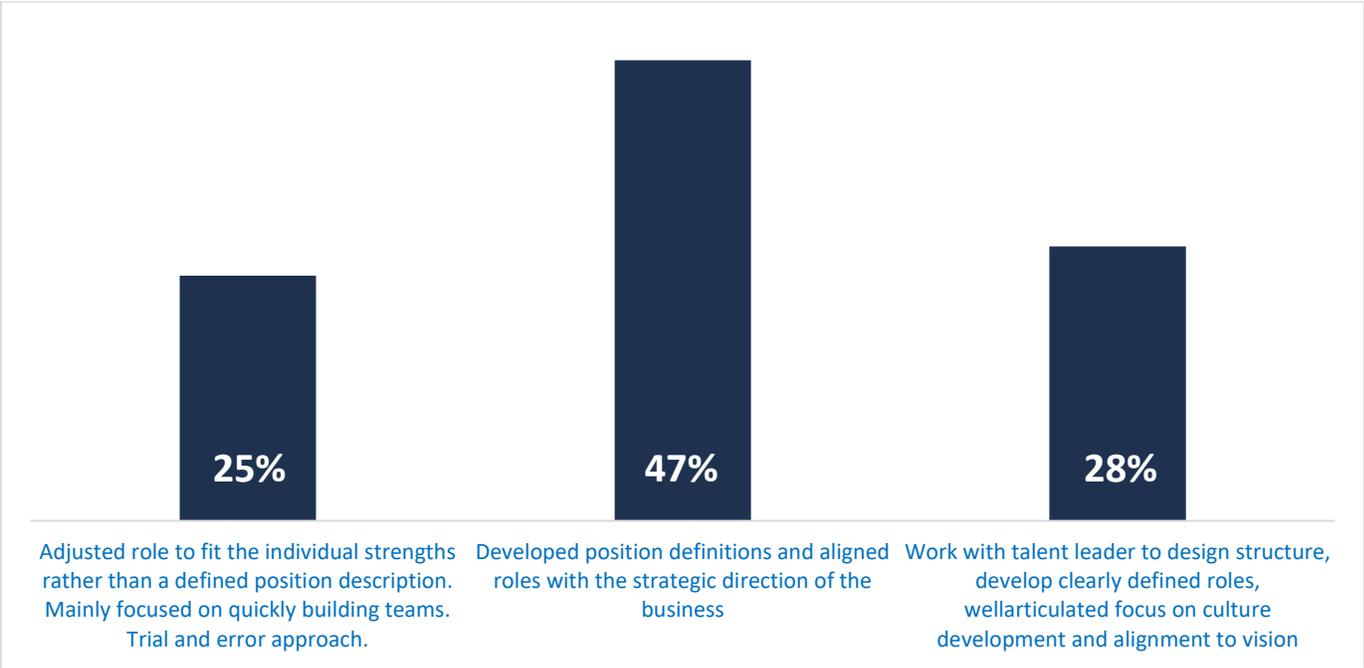
4. What impact did a bad hire have on the company?

Of course, most of our respondents agree that a bad leadership hire can have a significant negative effect on the business, and indeed, they had made some. Our research indicates that founder-led, “gut-instinct” approaches to building leadership teams is the strategy that is most prone to bad hiring decisions – a Type I, or false positive decision. Perhaps equally important, gut-instinct approaches are also implicated in making Type II errors, or false *negative* decisions. In an environment where great leadership talent is in chronically short supply, a Type II error may go unnoticed, but the consequences of passing on a great hire can be hugely harmful to the fortunes of a growth-stage company.



5. What is your process for defining key leadership roles?

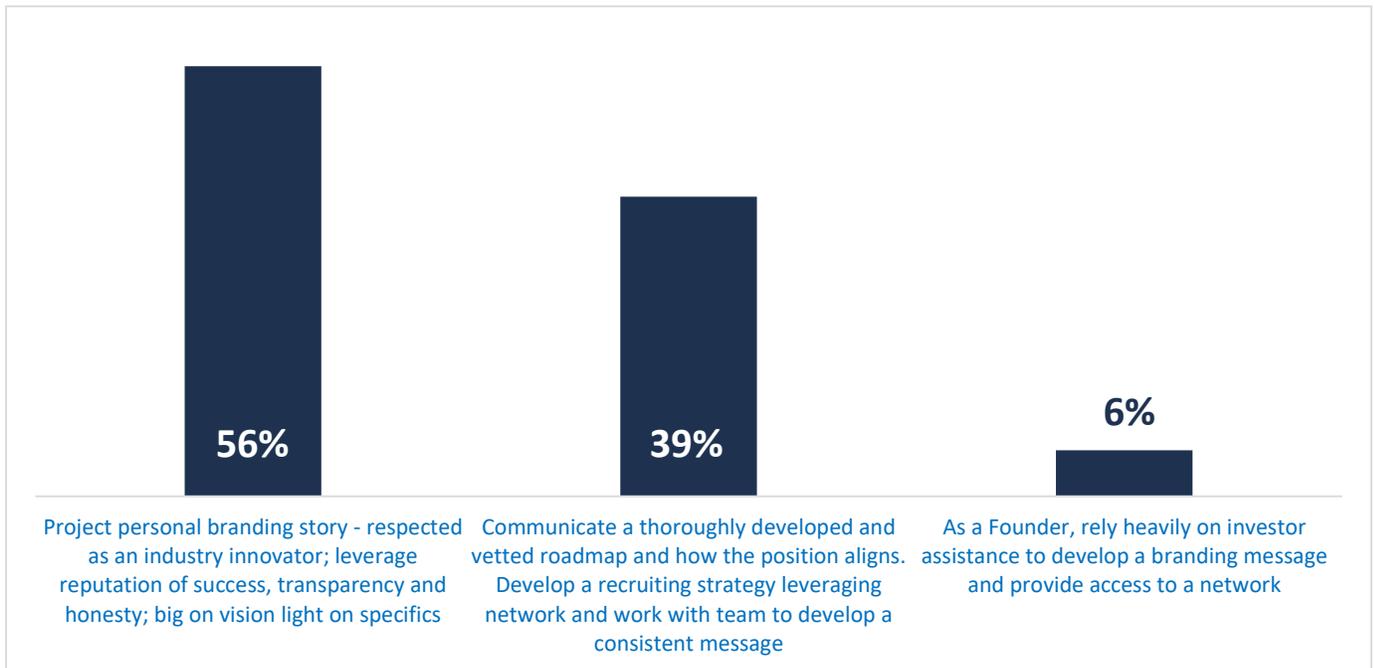
A quarter of our respondents were comfortable building the role around the individual, rather than objectively defining what was truly needed and finding the best candidate for the role. While about three quarters of the CEO’s who responded took the time to develop position specifications and align them with strategy, only 28% sought the advice of an advisor who focused on executive talent.



6. How have you communicated your vision and passion to attract leadership that aligns to your value proposition?

More than half of the CEO's who responded relied on a personal branding story – their own reputation, track record, and personal integrity to attract leaders. This strategy can work well, but primarily when the CEO is following a “rolodex” or “I know somebody” approach to building out the leadership team. As we saw earlier in Question 1, about 42% of CEO's rely on this approach. When leadership candidates have some outside personal knowledge of the CEO, there is a shared understanding of how things will go. However, when this is not part of the equation, things can go sideways very quickly between a CEO and a new leader who are not completely aligned.

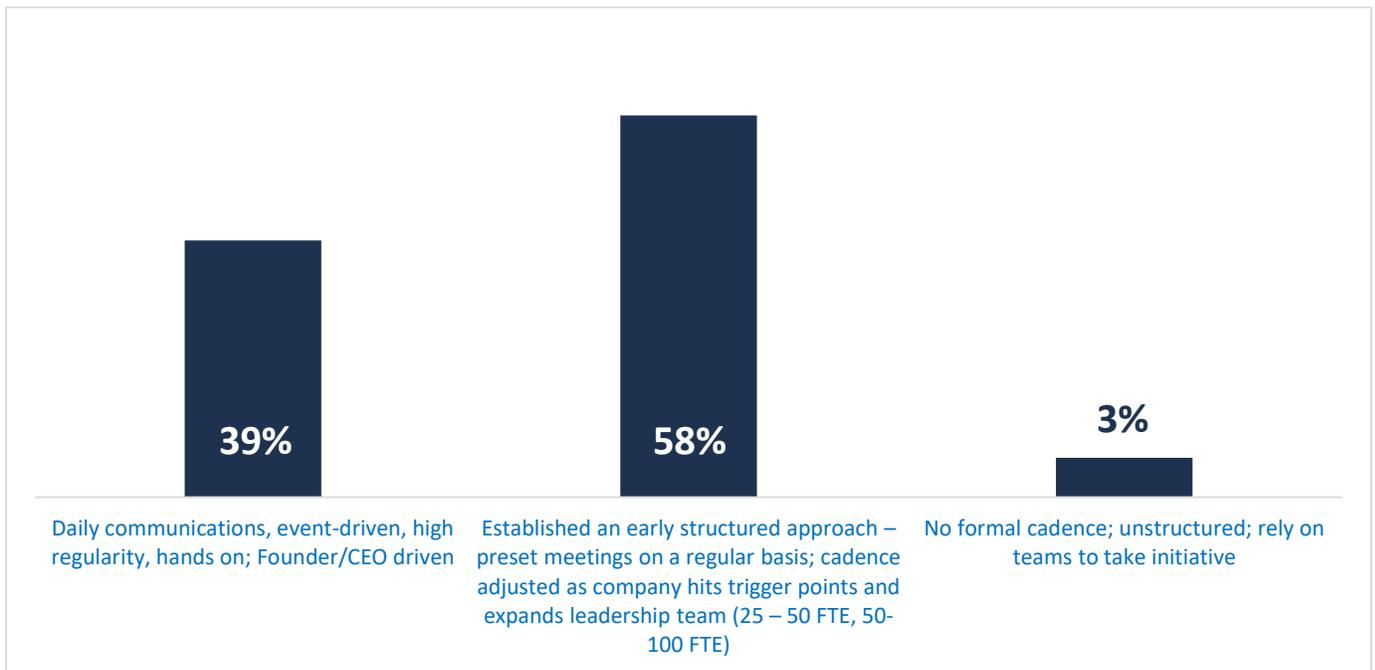
Roughly 4 out 10 CEO's report a more systematic, objective approach. They took the time to develop a clear and objective road map and built clear alignment in advance. While it is often (usually?) the case that the leadership team will change direction several times over the course of a strategic build, this at least ensures that everyone is starting from the same place and is pivoting off the same position.



7. What communication cadence have you developed for success (startup to growth)?

No matter how small the organization, most CEO's agree that regular, well-structured communications are key to keeping the leadership team on track. Once again, it's a question of alignment and continuous re-alignment. As change velocities in competitive markets, technologies and talent markets increase exponentially, this becomes harder and harder to do¹.

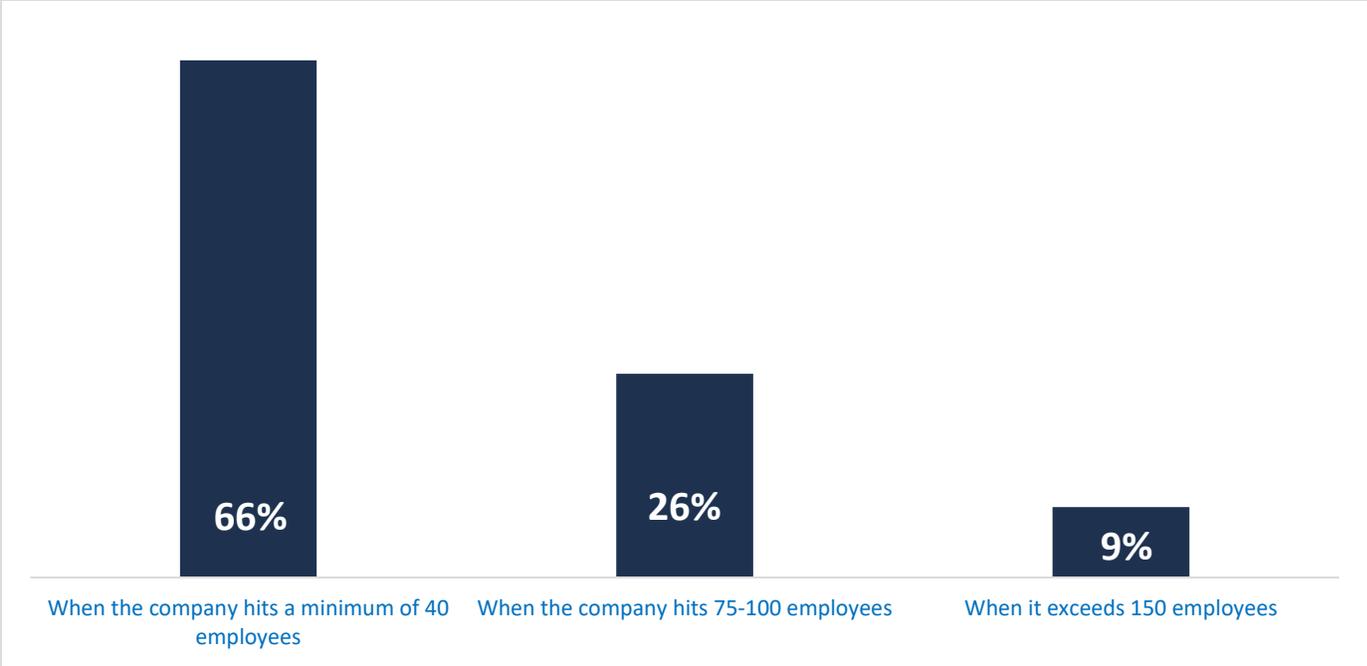
Still, 4 out of 10 CEO's still take the "entrepreneurial" approach of daily stand-ups and calls that they lead to cover the issues of the day. These are great for tactics and activity-based evaluation but lousy for strategy *or* for letting leaders run their own shops.



¹ See, for example, a 2018 article by our CEO: *Achieving Alignment in an Age of Disruptive Velocity*. HR People & Strategy, Spring, 2017. Retrieved from <https://docs.google.com/viewerng/viewer?url=http://www.gattihr.com/wp-content/uploads/2019/11/Achieving-Alignment-in-an-Age-of-Disruptive-Velocity-2019-2.pdf&hl=en>

8. When you think about priorities in team building, at what point do you feel it is important to hire a strategic HR leader? Consider compliance, recruiting strategy, culture, branding.

There was a time when the universal answer to this question was around 100 or even 150. Even then, this was largely because HR administration started to get creaky, and fixing that was the driver. Almost 60% of our CEO respondents take a different view. Bringing on a strategic HR leader at a much earlier stage is now the standard. Leaders who know how to attract, motivate and retain great leaders, shape positive work cultures, and *scale* those cultures are in great demand, and short supply.



Key Takeaways

The number one factor to long term business success is hiring smart. Developing a disciplined and objective-based approach to team building will significantly reduce bad hire events. Consider developing a three-part interviewing process to include a case study and an onsite project working closely with existing team members. Initial phone interviews should validate interest and fundamental skills required to perform the role. The onsite process should establish an objective assessment of skills and cultural fit. Consistently assess hiring conversion success and adjust hiring process to refine results.

The role should align with key business plan objectives. Another observation from our experience is before determining a title focus on how the role will contribute to the business results. Insure there is alignment with key objectives to minimize risk. Map the type of candidate best suited to your scale. If you are at a \$5M run rate, does it make sense to hire a Chief Revenue Officer with only large company experience, and does this type of position reflect what is required?

As a CEO, it's important to be open to suggestions, advice and criticism. Building the right team for the size and stage of the organization is critical. Early and growth phases are dynamic, and there are financial and time pressures that drive decisions. An environment of open communication creates a forum to share ideas that provide innovation in products, sales and marketing strategy, as well as prepare for the unexpected challenges in growing to the next stage.

We have found leveraging strategic HR as an early leadership hire is fundamental to setting and aligning company mission, strategy and culture. Head of People roles who leverage data can have the greatest impact as the company reaches the 75th employee level. It's important to have sounding boards, test best practices, and constantly refine hiring strategies.

Michael Delisle

Vice President & Practice Leader
(617) 542-1430
mdelisle@gattiHR.com

Paul Stefunek

Vice President & Practice Leader
(440) 781-1794
pstefunek@gattiHR.com

About GattiHR

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Founded in 1985, we have a simple mission: Recruit the best teams and then help those teams succeed. We build better workplaces with exceptional talent, actionable insights, and tech-supported solutions. Our search teams work hard to understand clients' cultures and business objectives to find innovative and agile leaders. Our data science team provides comprehensive workforce analytics and organizational improvement advisory services across the employee lifecycle, and our technology team delivers high velocity, high volume recruiting and employee engagement solutions.